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# 1999 Ontario Budget

## Budget Speech

Foundations for Prosperity



**The Honourable Ernie Eves, Q.C.**  
**Minister of Finance**









# **1999 Ontario Budget**

## **Budget Speech**

*Foundations for Prosperity*

Presented to the  
Members of the Legislative Assembly of Ontario by  
The Honourable Ernie Eves, Q.C.  
Minister of Finance  
May 4, 1999





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Le document

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est disponible en français.



## Introduction

Mr. Speaker, four years ago, I stood in this House and told the people of Ontario that our Province could do better—much better. I told them we *must* do better, if we were to stimulate economic growth, create jobs, and protect the services important to all Ontarians.

At that time, Mr. Speaker, I promised Ontarians that our Government was committed to rebuilding Ontario. I reminded them that it would not be an easy task.

In the wake of a decade of successive governments taxing and spending freely, hundreds of thousands of Ontarians were without work.

Taxes were hiked 65 times.

The welfare rolls were jammed with 1.3 million people who simply wanted and, quite frankly, deserved, opportunity and a job.

The situation was so bad, Mr. Speaker, that more jobs were lost in Ontario between 1990 and 1995 than at any other time in this province since the Great Depression.

A deficit of \$11.3 billion meant that the Government was spending \$1 million an hour more than it was taking in.

The entire foundation of our growth had been eroded.

Our Government promised to rebuild that foundation. We promised a plan to strengthen the economy of our province and make it a better place for all Ontario families.

Unlike our predecessors, we knew that tax cuts create a strong economy.

- A strong economy builds better communities.
- A strong economy allows us to invest in children's early years.
- A strong economy leads to an innovation culture.
- A strong economy supports a skilled workforce.
- A strong economy provides for quality education and lifelong learning.
- A strong economy allows us to strengthen health care.
- A strong economy helps us to build foundations for prosperity so that every family, every person in this province, can have a better tomorrow.

## Ontario's Strong Economy

Building a strong economy takes vision, and leadership. The leadership Premier Harris has shown over the past four years has clearly put Ontario back on the right track.

I would like to take this opportunity, Mr. Speaker, to thank not only my good friend and colleague the Premier but also all Members and Ontario citizens who provided their ideas and input throughout the past four years.

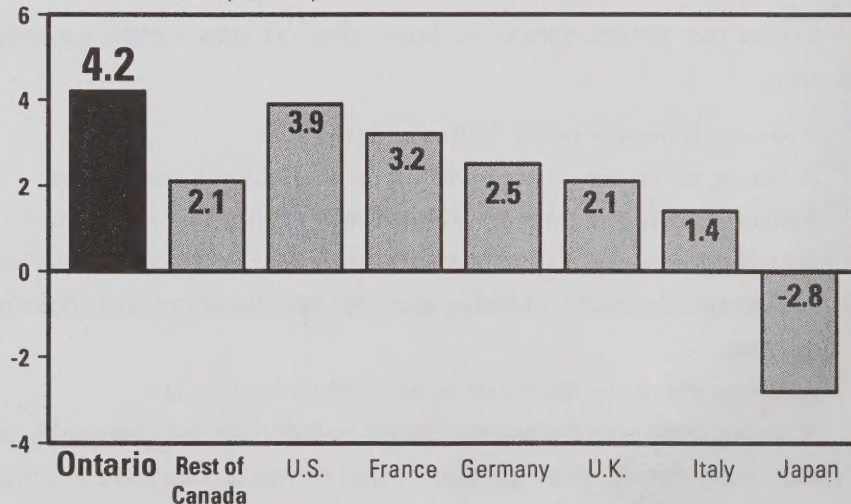
The most recent budget consultation process was again both stimulating and enlightening for me, Mr. Speaker, and it would not have been possible without the dedication of Deputy Minister Bryne Purchase, my chief of staff Steve Pengelly and the entire team at the Ministry of Finance.

Since we began our program of tax cuts and focused reinvestment, Ontario has experienced continual economic growth, with a consistent record of outperforming other economies in Canada and around the world.

In 1998 alone the Ontario economy expanded by 4.2 per cent, doubling the rate in the rest of Canada. The economy grew faster than any of the G-7 nations, including the United States and Germany.

### Ontario Growth Outpaces Other Major Industrial Economies

1998 Real GDP Growth (Per Cent)



Sources: Ontario Ministry of Finance and National Statistical Agencies.



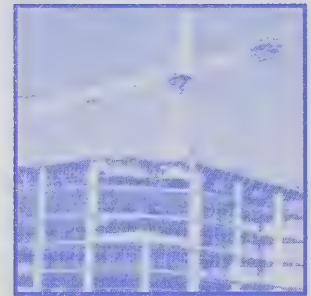
Retail sales grew by another 6.9 per cent last year, more than four times the increase in retail sales in the rest of the country. Real consumer spending rose almost five per cent in 1998, the strongest gain in a decade.

Ontario has become one of the world's greatest trading jurisdictions. Today, Ontario has the highest exports as a share of Gross Domestic Product of any Canadian province or G-7 country, including Japan and France. In 1998, Ontario merchandise exports increased by over 11 per cent, twice the rate for all of Canada. Automobile parts manufacturers shipped record volumes.

Recent private-sector forecasts predict that economic growth will remain strong. The forecast average is 3.8 per cent real economic growth for Ontario in 1999. The Canadian economy is forecast to grow by 2.8 per cent. Ontario is forecast to continue to grow faster than any G-7 country.

What does that mean for individuals and communities across Ontario?

- It means hundreds of construction cranes in communities across Ontario.
- It means thousands of new homes being built.
- It means hundreds of thousands more jobs.
- It means millions of Ontario families keeping more of their hard-earned money through tax cuts.



## Record Job Creation

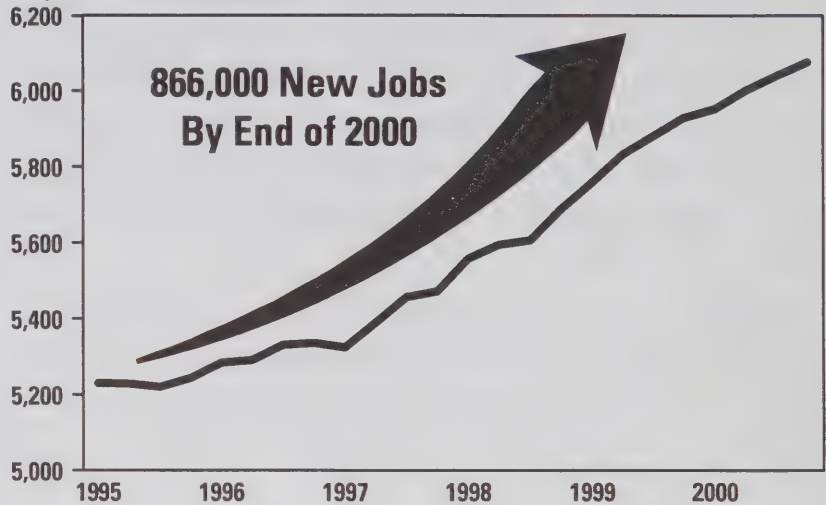
Since the Throne Speech in September 1995, the Ontario economy has added 539,000 net new jobs. The 200,000 new jobs created in 1998 represent the largest annual increase in net new jobs *ever* recorded for Ontario or any other province.

More than 96 per cent of those jobs were full time. In the last seven months alone, 205,000 new full-time jobs have been created in our province.

Just last week, the Conference Board of Canada estimated that Ontario will have surpassed the Government's ambitious 725,000 job target by the first quarter of 2000. By the end of 2000, the Board estimates that the economy will have created 866,000 jobs. This is why I am confident that the economy will create another 825,000 jobs over the next five years.

## Ontario Job Creation 1995-2000

Employment (Thousands)



Sources: Statistics Canada and Conference Board of Canada.



Those jobs are being created all across this province.

- More jobs in high-technology industries.
- More jobs in the automotive industry.
- More jobs in the construction industry.
- More jobs in financial services.
- More jobs in tourism.

Mr. Speaker, in the last four years 374,000 Ontarians have been given the opportunity to break the cycle of welfare dependency. Through the new mandatory work-for-welfare program, people are acquiring the skills and the confidence necessary to take advantage of the opportunities that Ontario offers to them and to their families.

## Cutting Taxes Builds a Strong Economy

As heartened as we are by the success of the last four years, we cannot and must not take for granted that it will automatically continue.

We live in a highly competitive world where there are fewer boundaries—geographic or technological—to restrict business to just one place.



Achieving more jobs, more growth and a stronger economy in this environment continues to be an uphill battle. In the words of Premier Harris, "If the road we're travelling is uphill, we cannot coast. We either keep moving forward or we risk sliding back."

Mr. Speaker, the people of Ontario cannot afford that risk.

History has proven that when taxes go up, as they did from 1985 to 1995, and governments take more of taxpayers' and families' hard-earned money, it leaves them with less money to spend and invest.

High taxes kill jobs, stifle prosperity and threaten governments' ability to support the programs that Ontario families value most.

Mr. Speaker, tax cuts are the basis for a strong economy. Tax cuts create jobs. Allowing Ontarians to keep more of their own hard-earned money over the past four years has meant that they are spending more and investing more, boosting our economy and creating jobs.

A growing economy means we have more money to reinvest in the things that mean the most to families, like health care we can rely on, and quality education.

Now, there are those in this House who disagree with that. There are those who criticize our tax cuts. There are those who said loudly that tax cuts would actually stifle economic growth and reduce government revenues, leaving government with less money to spend on important programs.

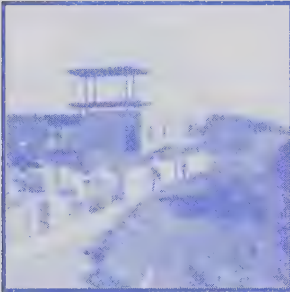
There are even those in this House who said tax cuts would cut government revenues by \$5 billion a year. As Winston Churchill said, Mr. Speaker, "I do not resent the criticism, even when, for the sake of emphasis, it parts for the time with reality."

The reality is that with more people working, taxation revenues have gone up by over \$6 billion, even as tax rates were going down. Mr. Speaker, I should point out that is an \$11 billion miscalculation.

Perhaps some people can afford to make that kind of mistake. Mr. Speaker, we cannot. We have the responsibility to take the necessary actions to build foundations for prosperity so that all Ontarians can have a better life.

Between 1985 and 1995 governments increased taxes 65 times. We saw where that led. Those tax increases led to high deficits, job loss and the highest percentage of people on welfare in all of Canada.





Since taking office in 1995 we have cut taxes for Ontario families and businesses a total of 69 times. Today, I am pleased to announce an additional 30 tax cuts. This brings to 99 the number of tax cuts we are delivering to the people of this province. Ninety-nine cuts, Mr. Speaker, so you know who my hero is.

We believe that Ontarians deserve a break on their taxes and we know, as the more than half a million people who have found work in the past four years know first-hand, that tax cuts create jobs.

## **Tax Cuts Create a Strong Economy Where Business Can Grow**

Mr. Speaker, Ontario's businesses are the engines of growth that drive our economy. Our Government is committed to helping Ontario's businesses grow and create jobs.

We have taken significant action to help businesses across the province. We eliminated the employer health tax (EHT) on the first \$400,000 of business payroll. We followed with our plan to cut the small business corporate income tax rate in half by 2006, making it the lowest rate in Canada. We cut red tape. These actions were just the beginning.

Today I am proposing more tax cuts and more reductions in red tape to ensure that businesses in Ontario can indeed grow and create jobs.

Legislation will be introduced to eliminate capital tax for an additional 45,000 businesses and reduce it for over 15,000 others. I also propose to eliminate the capital tax entirely for credit unions to increase their community financing role.

To support farmers, a key business sector, I am proposing that the temporary retail sales tax rebate for farm building materials be made permanent. Farmers would also be exempt permanently from sales tax on a wider range of products purchased for use in farming activities.

Last year the Government introduced a plan to make property taxes fair across the province. We also introduced an eight-year, \$500 million plan to reduce business education taxes.

The business community can rest assured that our Government will ensure that all existing tax protection tools will be available to





municipalities and that the current business tax limits will continue in effect every year until tax fairness is fully achieved.

Mr. Speaker, I am announcing the creation of a Business Tax Review Panel to examine the current Ontario personal, corporate and property tax systems for their impact on the capacity of business, both small and large, to create jobs.

### **Tax Cuts Create a Strong Economy Where Business Can Grow**

- Limits on business property taxes to continue until tax fairness is fully achieved.
- Level playing field for newly constructed commercial and industrial properties.
- First \$2 million of taxable capital exempt from capital tax.
- A new short-form corporate tax return for small corporations to simplify tax filing.
- Streamlined Retail Sales Tax (RST) purchase exemption certificate system.
- RST tax filing and remittance periods extended for more small businesses.
- No EHT instalment payments for payrolls of \$600,000 or less.
- Charter of Taxpayer Rights—a commitment to administer tax laws with fairness, courtesy and common sense.
- Exemption from capital tax for credit unions.
- Consultations with credit unions and small business on a guaranteed lending program.
- Deposit insurance improvements for credit unions.
- Permanent RST exemption for farm building materials, and additional items exempt.
- Business Tax Review Panel to review Ontario personal, corporate and property tax systems.



## 20 Per Cent Residential Tax Cuts for a Strong Economy

For the average Ontario family, taxes are still too high.

Our predecessors allowed education property tax rates to go up by 42 per cent between 1985 and 1990, and 20 per cent between 1990 and 1995.

Our Government froze education property tax rates. Now we are reducing them.

Today, I am announcing the Government's intention to cut the residential education tax rate by 20 per cent over five years.

For the owner of a typical single-family detached home, that means a cut of \$150.

As a first step, the residential education tax rate would be reduced by 10 per cent, retroactive to January 1 of this year.



Mr. Speaker, the land transfer tax refund program has already helped more than 42,000 people—most of them young families—buy a new home. I am proposing that this refund program be extended for another year for first-time buyers of a newly constructed home and that the maximum refund be increased to \$2,000, retroactive to April 1 of this year.

My daughter Natalie may not be entirely happy with this decision, Mr. Speaker, as she became a proud first-time purchaser of a new home on March 31. However, it does confirm budget confidentiality, Mr. Speaker.

### Residential Tax Cuts for a Strong Economy

- Residential education property tax rates cut 20 per cent, starting with a 10 per cent cut for 1999.
- Land transfer tax refund program extended another year, maximum refund increased to \$2,000 for agreements of purchase and sale entered into after March 31, 1999.



## Personal Income Tax Cuts Are the Key to a Strong Economy and Jobs

From 1985 to 1995, governments hiked personal income taxes 11 times.

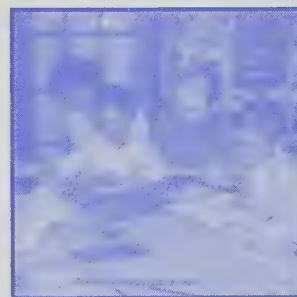
Our Government started cutting personal income taxes by delivering a 30 per cent cut and further cut personal income taxes by increasing the basic personal exemptions.

Our tax cuts have made a big difference to Ontario families. For example, in 1999 a couple with two children, and net income of \$60,000 from two earners, pays \$1,430 less Ontario income tax. This family will have saved a total of \$3,595 since we started cutting taxes.

Today I am announcing that our Government will again cut income taxes substantially. We are proposing to cut personal income tax rates for Ontarians by an additional 20 per cent over the next five years, starting July 1 with a five per cent reduction in Ontario's personal income tax rate to 38.5 per cent of basic federal tax.

The same family with two children, and a net family income of \$60,000 from two earners, would save \$625 a year from this reduction when it is fully implemented. Together with the 30 per cent tax reduction already introduced, this family would be better off by \$2,105 a year as a result of the personal income tax reductions introduced by this Government.

To continue helping modest-income families, I am proposing to enrich the Ontario Tax Reduction program. Ontario income tax will be eliminated for an additional 30,000 Ontarians and further reduced for 555,000 more. This means 1,205,000 Ontarians will benefit from this program, including 650,000 people who must continue to pay federal income tax but will not pay any Ontario income tax at all.



### Personal Income Tax Cuts Are the Key to a Strong Economy and Jobs

- Personal income tax cut of 20 per cent over five years, starting with a cut in the personal income tax rate to 38.5 per cent of basic federal tax.
- Establish an advisory panel to examine concerns that have recently been raised regarding the tax treatment of one-earner and two-earner families.

- Enrich the Ontario Tax Reduction program to eliminate or further reduce personal income tax for more Ontario taxpayers with modest incomes.

## A Strong Economy Means Strengthened Health Care

The tax cuts introduced by this Government have helped to create a strong economy, which in turn allows us to invest more in health care.

As Durhane Wong-Reiger, former president of the Canadian Hemophilia Society, has said, "I'm a strong social advocate in health care and have worked in education and I know we need resources and services. I also know that if we don't have a strong economy, we can't do any of that."

Ensuring that all Ontarians can rely on top-quality health care has required a modernization of our system to meet the needs of an aging and growing population.

The job of creating a modern health care system has not been easy. But we are beginning to see the results and we will continue to make the necessary investments to create a better system for today and tomorrow.

In 1995, we promised to maintain health care spending at \$17.4 billion. In fact, last year we increased health care operating funding to \$18.9 billion, by far the largest amount in provincial history. We will increase funding by another 20 per cent over the next five years to \$22.7 billion, the highest level in Canadian history.



This record level of health care investment over the past four years has improved access to a broad range of integrated health care services that are available when people need them. Our reinvestments have resulted in improved cardiac care, cancer care, dialysis, magnetic resonance imaging (MRI), to name only a few.

We are adding 20,000 new beds for seniors and expanded community services for people with continuing care needs and children with special needs. We are investing \$375 million to hire 10,000 more nurses over the next two years, for a total of 12,000 more nurses over three years. We will back all of this up with a Patients' Bill of Rights guaranteeing access to health services so all Ontarians will know what to expect when they arrive at a hospital or call on community-based care.



Mr. Speaker, Premier Harris showed tremendous leadership on behalf of the people of this province as part of the campaign by Canada's premiers to recover the federal government's health care cuts. As a result of this effort, the federal government has started to restore some of the \$2.8 billion annually that it took from the people of Ontario. This new chapter in transfer payment history is a good first step, but it is only a first step.

Some are promising to spend only recovered federal money to improve health services. For 1999-00, we will increase total health care spending by \$1.6 billion. Premier Mike Harris is not only putting every penny of the \$945 million we have recovered from Ottawa this year straight into health care services, but is also adding a further \$702 million in provincial funding.

## **A Strong Economy Means Strengthened Health Care**

### **1995-96**

- Established a \$17.4 billion minimum benchmark for health care expenditures.
- Began restructuring the health care system to make it more efficient, cost-effective, patient-focused and innovative.

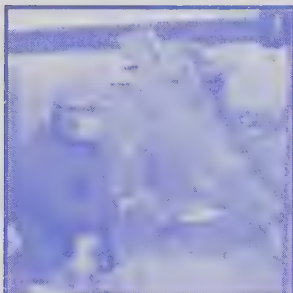
### **1996-97**

- Introduced the Healthy Babies, Healthy Children program.
- Expanded speech and language services for pre-school children.
- Immunizing school children against measles, young people against Hepatitis B, and seniors and those at risk against pneumonia.
- Reinvested in priority programs such as cardiac services, breast cancer screening and magnetic resonance imaging.

### **1997-98**

- Cancer Care Ontario created to coordinate cancer treatment services.
- Neurotrauma initiative for health and spinal cord injury prevention.
- Agreement to compensate individuals who contracted Hepatitis C through the blood system between 1986 and 1990.

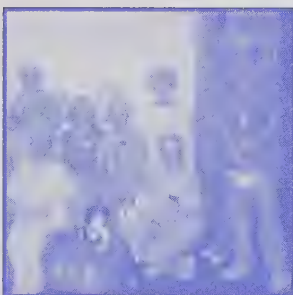


**1998-99**

- Began \$1.2 billion Long-Term Care Multi-Year Expansion Plan.
- Compensation for individuals who contracted Hepatitis C through the blood system prior to 1986 or after 1990.
- Special assistance to improve emergency rooms.
- Expanded the Healthy Babies, Healthy Children program.
- Major partner and contributor in the establishment of Canadian Blood Services.
- Medical Equipment Renewal Fund to maintain the excellence of our medical equipment.

**1999-00**

- Invest \$375 million to hire 10,000 more nurses over the next two years, for a total of 12,000 more nurses over three years.
- Reduce waiting lists to ensure faster access to life-saving medical care for cancer, heart and kidney dialysis treatments.
- Expand emergency room services to improve access and implement a policy to ensure that anyone entering an ER is seen within 15 minutes.
- Accelerate expansion for 20,000 new long-term care beds so that all beds will be awarded by 2001-02, two years earlier than originally planned.
- Provide an additional \$40 million to expand Home Care beyond the original Long-Term Care plan.
- Increase support for recruitment and retention of specialists and general practitioners in rural and northern communities.
- Guarantee access under the Patients' Bill of Rights so people will know exactly what they are entitled to when they show up at a hospital or call on community-based care.





## A Strong Economy Means Investing More in Infrastructure

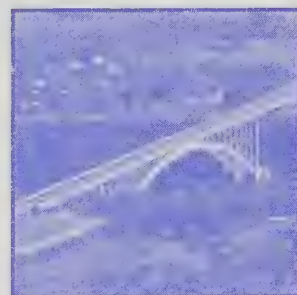
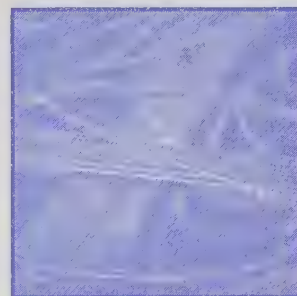
Meeting Ontario's health care needs requires investments in improving and expanding health care infrastructure. Our strong economy is enabling these and other important investments in Ontario's infrastructure to be made.

A strong network of highways is vital to Ontarians' needs but the information highway is also important, as is a responsive education system.

Our world is changing and so too must our infrastructure.

In order to make those changes in a way that also responds to the priorities of the people of Ontario, the Government is establishing the SuperBuild Growth Fund, which will inject \$20 billion into Ontario's infrastructure over the next five years. The SuperBuild Growth Fund will challenge our partners in the public and private sector to identify and support priority projects. This way we will make the right kinds of investment at the right times.

I am announcing an initial Government investment of \$2.9 billion in the Fund this year. The Fund will consolidate infrastructure spending, currently scattered across the system. By consolidating infrastructure spending and emphasizing partnerships, we will focus on investments that are both strategic and innovative in universities and colleges, in health care, in roads and bridges, in the information highway, in the environment, and in building communities all across Ontario.



## A Strong Economy Means Investing More in Infrastructure

- Initial Government investment of \$2.9 billion in the new SuperBuild Growth Fund, a five-year, \$20 billion private-sector-public-sector partnership.
- Ontario Financial Review Commission will be reconvened to examine emerging accounting and reporting practices, including capital funding and financing.

## A Strong Economy Supports an Innovation Culture

Mr. Speaker, innovation is one of the key themes of the Ontario Jobs and Investment Board's report, *A Road Map to Prosperity*.

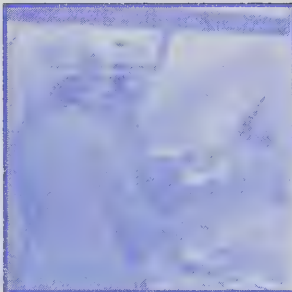


Innovation does not just mean creating and using new technologies and it does not apply only to “high-tech” businesses. It means developing new ideas and seizing opportunities to ensure that Ontario remains competitive.

The challenge is for all Ontarians—individuals, businesses, communities, institutions, organizations and governments—to do their part.

Our economic growth has enabled much to be accomplished already in fostering innovation in Ontario.

The Ontario Business Research Institute (OBRI) tax credit, announced in the 1997 Budget, continues to promote partnerships between business and Ontario post-secondary institutions. The Ontario R&D Challenge Fund has so far led to 43 partnerships between the private sector and research institutions, and over \$420 million committed to R&D projects.



The SuperBuild Growth Fund is allowing us to make further investments in important innovative projects. Today I am pleased to announce initiatives that will foster innovation, build our communities and increase Ontario's competitive advantage, beginning with the creation of the Ontario Innovation Trust. This \$250 million trust will provide funding to Ontario universities, hospitals and colleges for labs, high-tech equipment and other research infrastructure.



## Investing in Infrastructure for Innovation

- Ontario Innovation Trust—\$250 million for research infrastructure projects.
- Investments in Smart Libraries to help libraries connect to the Internet; Volunteers @ction.online to get volunteer organizations on-line; and Home Care Connect to give Community Care Access Centres a common computer system.



Innovative businesses and the entrepreneurs who lead them will benefit from more tax cuts, better access to financing and improved business supports.

## Support for Innovative Businesses

- Extension of the Ontario Innovation Tax Credit to public corporations and companies with up to \$25 million of taxable capital.
- Extension of the Ontario Computer Animation and Special Effects tax credit to include freelance labour costs.
- Extension of the Ontario Interactive Digital Media Tax Credit to include freelance labour costs.
- Elimination of the 5/15.5 add-back on royalty payments for technology transfers.
- Facilitate the creation of more Community Small Business Investment Funds to further increase access to capital for small, growing businesses.
- Ontario Securities Commission regulatory changes—making small business financing simpler.
- Ontario Exports Inc.—\$3 million to help small businesses start exporting.
- The Innovators Alliance—support the launch of a private sector-led organization to help small, innovative, fast-growing businesses exchange ideas on-line and through peer networking events.

- Five new Small Business Enterprise Centres and five new Business Self-Help Offices to assist the start-up and growth of businesses in smaller communities.

## A Strong Economy Supports an Innovative Workforce

Ontario has one of the most talented and innovative workforces in the world. Without continued economic growth and private-sector partnerships, however, we would be unable to equip the workers of today and tomorrow with the necessary skills to succeed in an ever-changing job market.



So, while there is still more work to be done to create employment opportunities for Ontario's youth, 80,000 new jobs—over 53 per cent of all youth jobs in Canada since September 1995—have been created in Ontario. We must explore innovative ways of ensuring that Ontario's youth can take full advantage of the opportunities that exist for them right here at home. Mr. Speaker, we are committed to doing that.

Ontario must continue to attract and retain talented knowledge workers to remain a world leader in high-technology industries. A proposed new Ontario Research Employee Stock Option Credit would help make the tax treatment of compensation offered by Ontario R&D companies more competitive with the treatment in the United States.

Mr. Speaker, the SuperBuild Growth Fund will provide nearly three-quarters of a billion dollars—some \$742 million—this year alone for investments to build and modernize our universities and colleges.

With contributions from the private sector and other partners, this will increase dramatically.

Four of the many exciting proposals that we have received from our post-secondary partners are a new Centre for Information Technology at the University of Toronto; a Centre for Excellence in Manufacturing at Durham College; a Centre for Environmental and Information Technologies at the University of Waterloo; and the McMaster Engineering and Science Rehabilitation Program.

The SuperBuild Growth Fund will also promote cooperation between community colleges and universities. This cooperation will include more



collaborative programming, innovative partnerships and easier movement between colleges and universities.

The Province has also consulted with colleges and universities on ways to use existing facilities more efficiently, and will provide additional funding to assist them in doing so.

A \$23 million increase in base operating funding will help our post-secondary institutions accommodate more students this September.

In last year's Budget I announced the \$150 million Access to Opportunities Program (ATOP) to "double the pipeline" of graduates in computer science and high-demand engineering. The program, which applied an innovative market test by requiring industry to match start-up costs, has been a tremendous success. Business response was well beyond our expectations.

Today I am pleased to announce an expansion of this program with an additional \$78 million in Provincial start-up funding. This will increase the number of ATOP spaces by almost 40 per cent from 17,000 new opportunities for students each year to 23,000.

Through the Strategic Skills Investment (SSI) program, also launched in last year's Budget, 19 of Ontario's 25 community colleges have entered into new skills partnerships with industry in self-sustaining programs, totalling \$115 million. We will continue investing \$100 million in this program over the next five years, which will lever a total of \$500 million for strategic skills training.

The Government is helping students and their families pay for the cost of post-secondary education and manage their debt load. The more than \$600 million being raised in the Ontario Student Opportunities Trust Fund will help 185,000 college and university students get an education over the next decade.

Starting in September 2000, new Aiming for the Top tuition scholarships will help students who earn top marks but require financial assistance to attend college or university. At maturity, the Government will be providing \$35 million to 10,000 students in awards of up to \$3,500 per year for up to four years. We challenge the private sector to provide matching funds to allow 20,000 students to benefit.

The important investments I have just mentioned—for research infrastructure, capital expansion and improvements, enhancements in base operating funding, assistance for students in financial need, and



targeted funding for innovative partnerships in high-demand areas—will help our post-secondary institutions provide a place for all qualified students graduating from high school now and in the future as the student population continues to grow.

### **A Strong Economy Supports an Innovative Workforce**

- Ontario Research Employee Stock Option Credit to help Ontario R&D companies attract and retain highly skilled knowledge workers.
- SuperBuild Growth Fund—over \$740 million contribution to investments in universities and colleges.
- Access to Opportunities Program expanded to create 23,000 new computer science and high-demand engineering spaces.
- Strategic Skills Investment program extended with \$100 million.
- Enhancement to Cooperative Education Tax Credit for leading-edge technology apprentices.
- Federal and Provincial student loan programs harmonized by August 2000 to better meet the needs of about 200,000 students and limit student debt.
- More women apprenticing in the skilled trades in the automotive industry.
- Women's Partners for Change networks expanded to more cities.
- Women's Community Employment Centres funding increased.
- Funding for enhanced distance education, new technologies and assisting teachers to use them in classrooms.
- Aiming for the Top—\$35 million for tuition scholarships for 10,000 top students with financial need, growing to 20,000 with private-sector matching.

### **A Strong Economy Enables Investing in Education and Opportunity**

The best way to ensure that our young people can take advantage of opportunities in Ontario is to provide them with the best education possible, with courses that reflect today's reality and keep pace with our ever-changing world.



The student-focused funding formula, the new curriculum, and province-wide standards for elementary and secondary education are a few of the ways we are doing that.

Increased accountability, a stronger link between schools and the job market, and better career planning for students will continue to improve our education system.

School board spending is increasing. Through the Student-Focused approach to funding, school boards received \$13.1 billion in the 1998–99 school year. In the coming year, school boards will receive an estimated \$13.3 billion.

This year Provincial funding for education will support approximately \$1.9 billion in new school construction and new spaces for about 170,000 students. In addition, I am pleased to announce that \$50 million will be invested from the SuperBuild Growth Fund in elementary and secondary school capital.



### **A Strong Economy Enables Investing in Education and Opportunity**

- Charter of Education Rights and Responsibilities (including tests on core subjects for every grade and a testing program for all Ontario teachers).
- Education Advisory Council to advise the Government on emerging issues.
- Expansion of Ontario Youth Apprenticeship Program in high schools.
- Support for The Royal Conservatory's Learning Through The Arts program in schools.
- Support for Business-Education Councils to improve school-work connections and encourage youth entrepreneurs.
- Tax incentive for safer school buses.
- SuperBuild Growth Fund investment of \$50 million to help school boards manage pressing capital needs related to health and safety.

## Investing in the Early Years



Preparing children for the future starts in the earliest years. Last month, the Government received an important report on children's early years. We are responding to the study's call for a greater focus on the early years by building on recent investments to further strengthen the capacity of families and communities to support children in their early years.

Model community initiatives will be funded to evaluate different approaches to early learning and to raise public awareness. This spring, Ontario will pilot a readiness-to-learn assessment of young children in 48 schools.

An Early Years Challenge Fund will be set up once a framework and the demonstration projects have been developed and fully assessed. The Government will contribute \$30 million by the second year to match contributions to local early years programs dollar for dollar.

As promised last year, spending on the Ontario Child Care Supplement for Working Families would increase to over \$200 million to support modest- and middle-income working families with young children. I am proposing an enrichment of \$80 to the maximum annual benefit, raising it to \$1,100 for each eligible child under age seven.

## Investing in the Early Years

- \$45 million to improve post-natal care for mothers and their newborns.
- Strike an Early Years Task Group to set out framework.
- Fund model community initiatives to demonstrate early learning approaches.
- Activities to broaden awareness of the importance of early child development.
- Pilot a readiness-to-learn assessment of children entering school.
- \$30 million annually by 2001–02 for Early Years Challenge Fund to match private- and voluntary-sector contributions to local programs.
- Fund local coordinators to mobilize communities to access the Challenge Fund.
- Maximum annual benefit for Ontario Child Care Supplement for Working Families to \$1,100 for each eligible child under age seven.

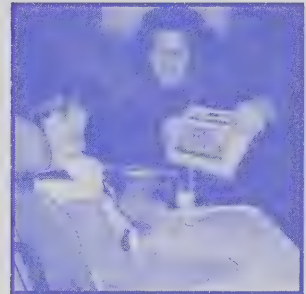




We are also introducing a number of initiatives to assist children with special needs because, Mr. Speaker, we believe this investment will ensure that they too can benefit from the many opportunities that come from economic growth.

### Assisting Children with Special Needs

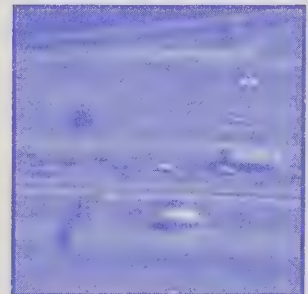
- Support for Learning Disabilities Association of Ontario to evaluate, with research organizations, school boards, and innovators such as TASK Academy, different approaches for helping students with learning disabilities.
- Dr. Bette Stephenson's Learning Opportunities Task Force extended to help post-secondary students with learning disabilities.
- Enhance children's mental health services by \$10 million this year, growing to \$20 million annually, to enable innovation and better access.
- \$5 million this year, growing to \$19 million annually, for intensive early intervention for two- to five-year-old children with autism by training front-line workers in therapy, assessment, diagnosis and parent support.
- Enhance respite care by \$17 million annually for up to 1,700 families caring for medically fragile or technologically dependent children.

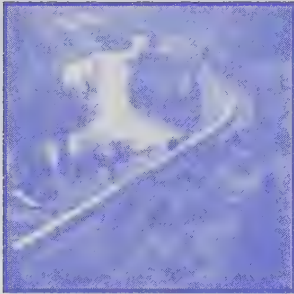


### Ontario's Strong Economy—Building Communities

Mr. Speaker, strong and sustainable communities are at the heart of Ontario's strong economy. Investing in those places where the people of Ontario live and work means helping Ontarians to build better lives for themselves and their families.

For the second consecutive year, the Government is investing record amounts in Ontario's highway system. The SuperBuild Growth Fund will invest more than \$930 million to improve the condition of our highways, make them safer, and expand strategic highways. We will continue to seek opportunities for more private- and public-sector contributions to highway projects.





## Capital Investments in Communities

- SuperBuild Growth Fund will invest over \$930 million this year in the rehabilitation and expansion of Ontario's strategic highways.
- SuperBuild Growth Fund will accelerate \$200 million already announced to help municipalities assume responsibility for water and sewer facilities.
- SuperBuild Growth Fund will invest \$17 million in environmental capital projects to improve public safety and protect the environment including improvements to parks, fish hatcheries, dams, abandoned mine sites and fire-fighting in the North.
- Enhanced environmental monitoring—\$2 million in new state-of-the-art equipment to monitor air and water emissions and contamination of land.
- Provide \$10 million for analysis of the critical issues that climate change presents for Ontario's environment and economy.
- Contribute to The Rouge in Toronto, North America's largest urban park, 660 hectares of provincially owned land and \$7.9 million to fund future expansion.

In addition to tax cuts for farmers, Mr. Speaker, we are reiterating our commitment to building and sustaining rural communities in Ontario.

The Government will provide \$35 million for a Healthy Futures for Ontario Agriculture program. The focus will be on "on-farm total quality management" for product quality, food safety and environmental quality. This is crucial to access markets, attract new business and ensure consumer confidence in Ontario's food production system. To recognize the important role that women play in rural economies, we will provide funding for the employment creation activities of Women and Rural Economic Development.

## Building Rural Communities

- Whole Farm Income Relief to assist agricultural producers facing dramatic declines in net income.



- Healthy Futures for Ontario Agriculture—\$35 million to help farmers export by improving product quality, food safety and environmental quality management.
- Nine “Living Legacy Signature Parks”—in partnership with local municipalities, businesses and community groups.
- Funding to support the employment creation activities of Women and Rural Economic Development (WRED).
- Purchase new fire trucks for unincorporated communities in the North.

Community charities play an essential role in this province, and deserve support for their contribution to building communities.

### Supporting Community Charities

- Matching \$5 million for Community Foundations to support projects for children and youth.

## Respect and Responsibility

Safe, secure communities provide places where families can prosper.

This Government continues to focus on ensuring that people feel secure in their communities. This means taking steps to support the personal safety of Ontarians. It involves individuals taking responsibility for their actions and their impact on others. It also means fostering respect for all members of our communities.

All Ontarians have the right to live without the fear of physical abuse. They must feel safe, and be safe, in their neighbourhoods, on their streets and, above all, in their homes. During the past four years we have delivered a clear message that we are on the side of victims of crime and that abusers must and will pay for their actions.

We have set up the Joint Committee on Domestic Violence to provide advice on the implementation of the jury recommendations from the May/Iles inquest. To date over 85 per cent of the recommendations have been implemented or are being implemented.

We have developed the largest domestic violence court program in the country to prosecute abusers, to support victims and to break the cycle of violence.



Our Government is continuing to build on that commitment. We will provide \$10 million annually to support a comprehensive strategy to combat domestic violence, including doubling the number of domestic violence courts in Ontario.

The Government will also invest \$6 million this year, annualized to \$8 million, so that Crown attorneys have dedicated time to ensure that the voices of victims of crime are heard in Ontario's criminal justice system.

This Budget commits \$6 million annually, to establish and maintain the first registry of sex offenders in Canada under Christopher's Law, which was recently introduced in the Legislature.

The Government will provide funding to support the expansion of the Youth Justice Committee pilot to five new sites and will extend the strict-discipline pilot program, Project Turnaround.

Funding for the Ontario Police College will be increased by \$3 million and the Government will provide \$5 million to establish permanent specialized rural and agricultural crime prevention units.

## Respect and Responsibility

- Special Investigations Unit funding increased, following recommendations of Adams Review.
- Supervised family access sites doubled to 28.
- First registry of sex offenders in Canada—Christopher's Law.
- Youth Justice Committee pilot extended to five new sites.
- Strict-discipline pilot program, Project Turnaround, extended.
- Funding for Ontario Police College increased.
- Permanently establish six Rural Strike Forces and expand their mandate to include crime in the agricultural industry.
- Increased police outreach for children's safety ("OPPIES").
- \$10 million to combat domestic violence, including doubling the number of domestic violence courts and associated support programs.
- \$8 million to ensure Crown attorneys have dedicated time to support victims and witnesses.
- Constructing a memorial for fallen police officers.



## Restoring Fiscal Health: The Job Is Not Finished

Ontario's economic and fiscal foundation relies upon a clear and consistent plan to eliminate the deficit and balance Ontario's books. Unlike our predecessors, Mr. Speaker, who allowed the deficit to skyrocket to unacceptable levels, we set out a Balanced Budget Plan with clear annual targets to reduce the deficit, and eliminate it by 2000-01.

Again, I am pleased to report that we are on track to meet that goal. In 1998-99, Ontario's deficit was \$3.2 billion. This represents a reduction of over \$1.6 billion from the Balanced Budget Plan deficit target of \$4.8 billion.

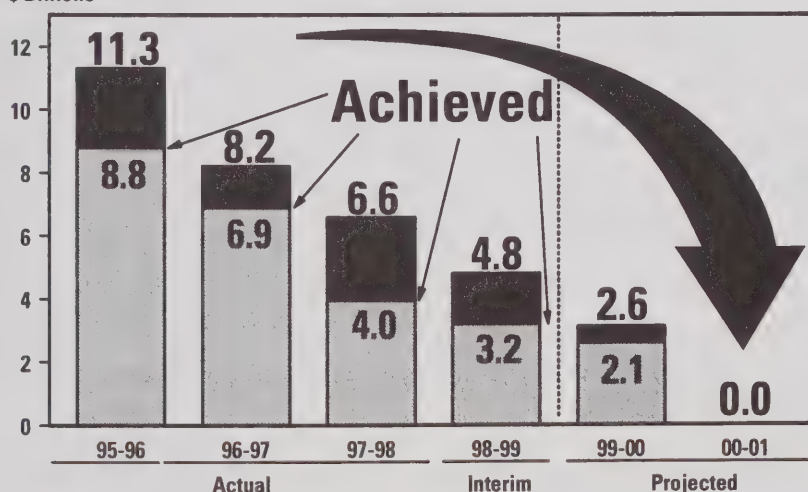
For the fourth consecutive year, the Government has overachieved its deficit target.

The deficit for 1999-00 will be \$2.1 billion, \$0.5 billion lower than the deficit target for this year set out in the Balanced Budget Plan.

The deficit will be eliminated in 2000-01 as promised.

### Ontario's Balanced Budget Plan on Track Medium Term Deficit Targets

\$ Billions



It is no secret that past governments promised results and failed to deliver.

In contrast, we have promised to cut the deficit and we have delivered on that promise each and every year. In fact, we have exceeded our deficit reduction targets by a total of almost \$5.5 billion over the past four years.

The Government's job is far from finished.

It is hard work reducing the deficit after years of governments allowing it to get completely out of control. In order to protect our fiscal achievements and to spare Ontarians the burden of deficits that threaten all public services, we must avoid returning to the tax-and-spend ways of the past.

### **Restoring Fiscal Health: The Job Is Not Finished**

- Balanced budget and taxpayer protection legislation to ensure future fiscal responsibility.

## **Conclusion**

Mr. Speaker, as I told Ontarians four years ago, rebuilding our province would not be an easy task.

Today, with many more people working, fewer families relying on welfare and an economy that has grown continually since we formed the government, we are making solid progress.

Under the strong leadership of Premier Mike Harris, and with a clear vision that tax cuts strengthen the economy and create jobs, we have been able to provide the means to invest in the priority programs that Ontarians value most.

It has taken a deliberate plan to realize that vision, the courage to stick with the plan in the face of criticism, and the hard work needed to implement it.



Mr. Speaker, we cannot return to the tax-and-spend ways of the past. We cannot repeat the mistakes of previous governments. Ontarians deserve better than that.

We must move forward—building on the work that we have done to get Ontario back on track.

We must continue to cut taxes, create jobs and further strengthen our economy.

If we stay the course, Mr. Speaker, we will indeed have a better tomorrow.

A tomorrow where all Ontarians can benefit and families prosper from the foundations we have created together.

Thank you, Mr. Speaker.







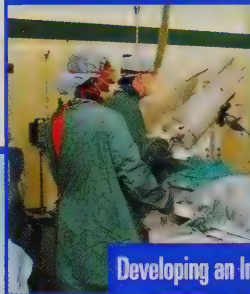




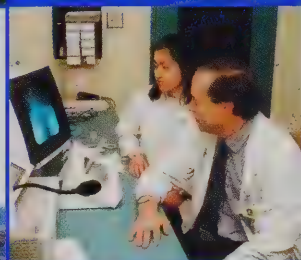


# Ontario

Strengthening Health Care



Developing an Innovative Culture



Building Communities



Creating a Skilled Workforce



Encouraging Respect & Responsibility



Investing in Early Years



Educating for a Lifetime



Foundations  
for Prosperity



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**The Honourable Ernie Eves, Q.C.**  
**Minister of Finance**



Ontario





# **1999 Ontario Budget**

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Presented to the  
Members of the Legislative Assembly of Ontario by  
The Honourable Ernie Eves, Q.C.  
Minister of Finance  
May 4, 1999

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**PAPER A**

**Ontario Economic Outlook**





# Highlights

Ontario's economic future is bright. Job creation has accelerated and is expected to remain strong. Consumers are enjoying rising income, lower taxes and low interest rates. Businesses are hiring, investing and increasing sales.

*"Ontario stands out as the province with the greatest economic momentum coming into the new year, with both healthy domestic demand and trade sectors."*

*Royal Bank, February 1999*

## Economic Outlook at a Glance (Annual Average)

	1997	1998	1999	2000
Real GDP growth (per cent)	4.6	4.2	3.7	2.8
Employment (thousands)	5,413	5,613	Up to 5,836	Up to 6,013
Unemployment Rate (per cent)	8.5	7.2	6.0 – 6.5	5.5 – 6.0
CPI Inflation (per cent)	1.9	0.9	1.3	1.4

Sources: Statistics Canada and Ontario Ministry of Finance.

## **Ontario's Strong Economic Record**

### **Job Creation Booming**

- ◆ Since the Government's first Throne Speech in September 1995, total employment has risen by 539,000, almost half of all jobs created in Canada.
- ◆ The unemployment rate has dropped from 8.7 per cent in mid-1995 to 6.4 per cent today.
- ◆ The Conference Board of Canada estimates that Ontario will have surpassed the Government's ambitious 725,000 job target by the first quarter of 2000.

### **Consumer Confidence Strengthening**

- ◆ The Conference Board of Canada's index of Ontario consumer confidence has risen 43.4 per cent since the end of 1995.
- ◆ Ontario retail sales rose 6.9 per cent in 1998, almost twice the Canadian pace. Department store sales rose 7.1 per cent.

### **Housing Momentum Building**

- ◆ Housing starts in Ontario are up 6.8 per cent so far in 1999 over the same period in 1998.
- ◆ The pace of new housing starts has increased 161 per cent since mid-1995.

### **Investment Spending Buoyant**

- ◆ Real business investment in machinery and equipment has increased by 63.2 per cent since 1995. Real commercial and industrial construction has increased by 24.4 per cent.

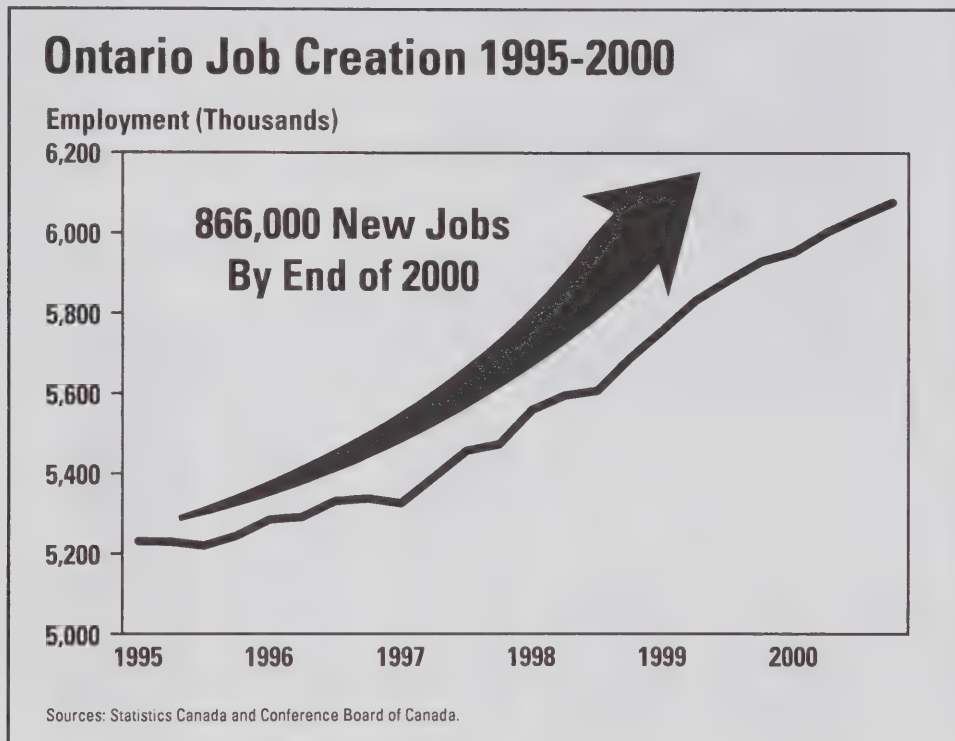
### **Export Growth Continues**

- ◆ Ontario merchandise exports rose 11.1 per cent in 1998.
- ◆ Over the past three years, Ontario has exported as many cars to the United States as the rest of the world combined.

## Job Creation Accelerating

Supportive Government policy, including a reduced tax and regulatory burden, strong consumer confidence and an improving international financial climate set the stage for continued economic growth and job creation in Ontario.

- ◆ Ontario employment rose by a record 200,000 jobs in 1998.



- ◆ The strong economy is projected to support average annual job growth of up to 4.0 per cent in 1999 and up to 3.0 per cent in 2000.
- ◆ Private-sector forecasters are optimistic about Ontario job growth.
- ◆ The Conference Board of Canada estimates that Ontario will have surpassed the Government's ambitious 725,000 job target by the first quarter of 2000. By the end of 2000, the Board estimates that the economy will have created 866,000 jobs.

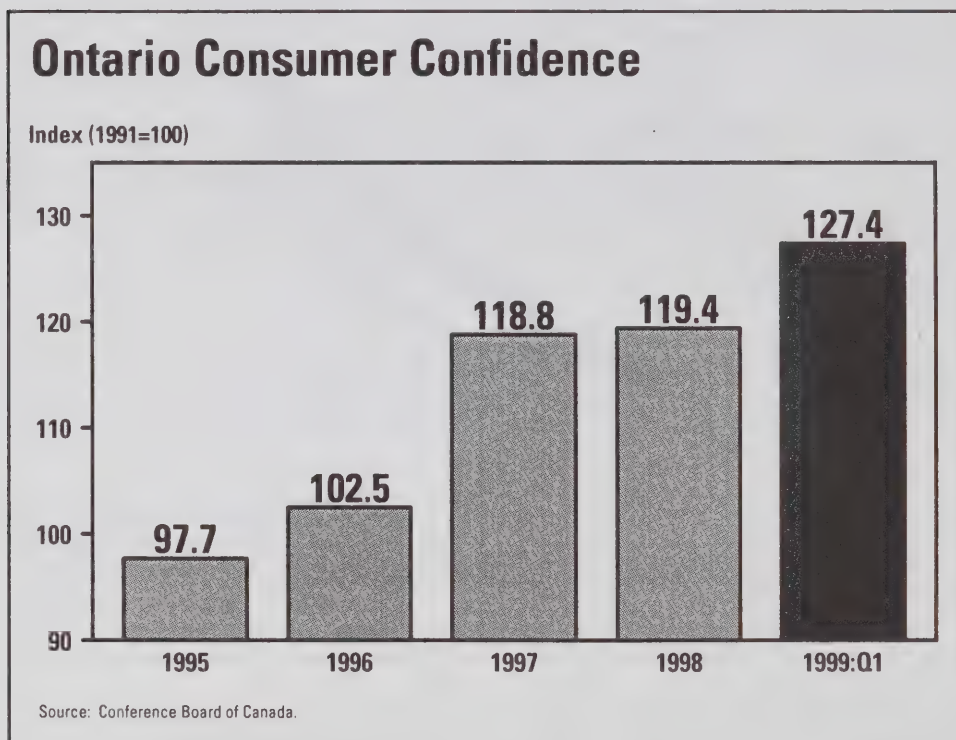


## Consumer Confidence and Demand Rising

High and rising consumer confidence levels have led to strong consumer spending, contributing to solid gains in real output and employment.

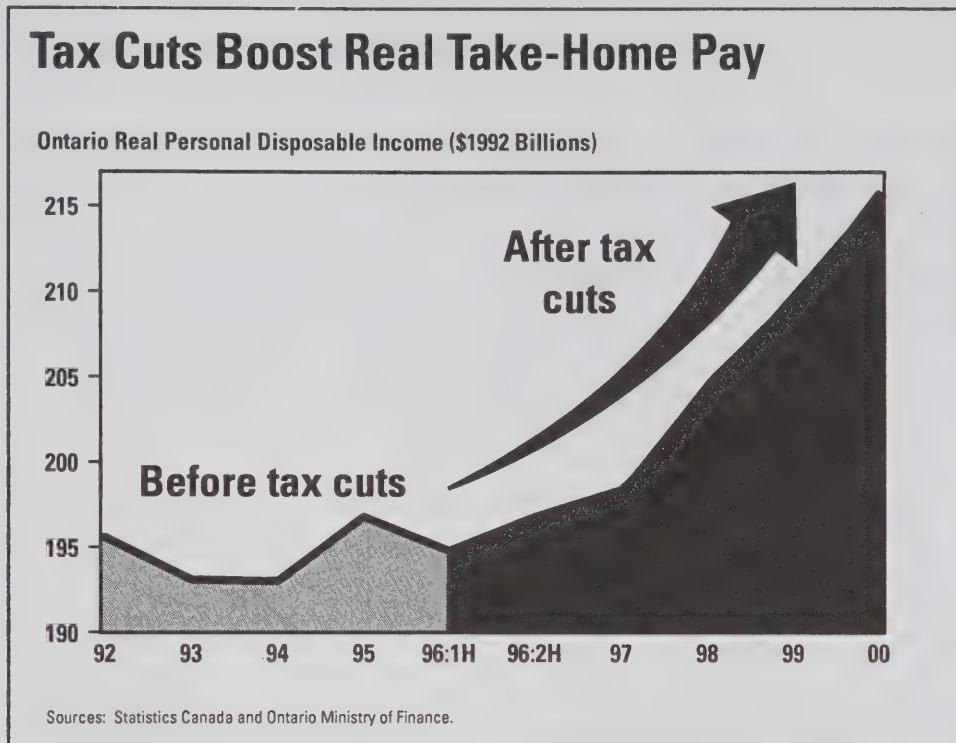
*"The Ontario economy has received a significant boost from the tax reductions of 1997 and 1998, and the positive impacts on consumer confidence and the investment climate will serve Ontario well this year and next."*

*WEFA Canada, Inc., January 1999*



- ◆ The Conference Board's index of consumer confidence has risen by 43.4 per cent since the end of 1995. This surpassed the 34.0 per cent increase for Canada during the same period.
- ◆ Tax cuts and strong job creation have increased Ontarians' confidence in their economic prospects and reinforced their willingness to make important investment and spending decisions such as buying a home or purchasing a car.

- ◆ Real consumer spending surged 4.7 per cent in 1998. This buoyant spending reflected strong gains in after-tax income, as workers' real take-home pay climbed 2.4 per cent.



- ◆ In 1999 and 2000, consumer spending is projected to grow more in line with gains in personal disposable income. Continuing gains in real disposable income as a result of tax cuts, strong job gains and rising wages will be the driving force behind solid consumer spending.
- ◆ Ontario's healthy job creation and economic growth have resulted mainly from strong domestic demand. In the foreign trade sector, large increases in real imports have accompanied the growth of real exports since 1996.

## Housing Outlook Bright

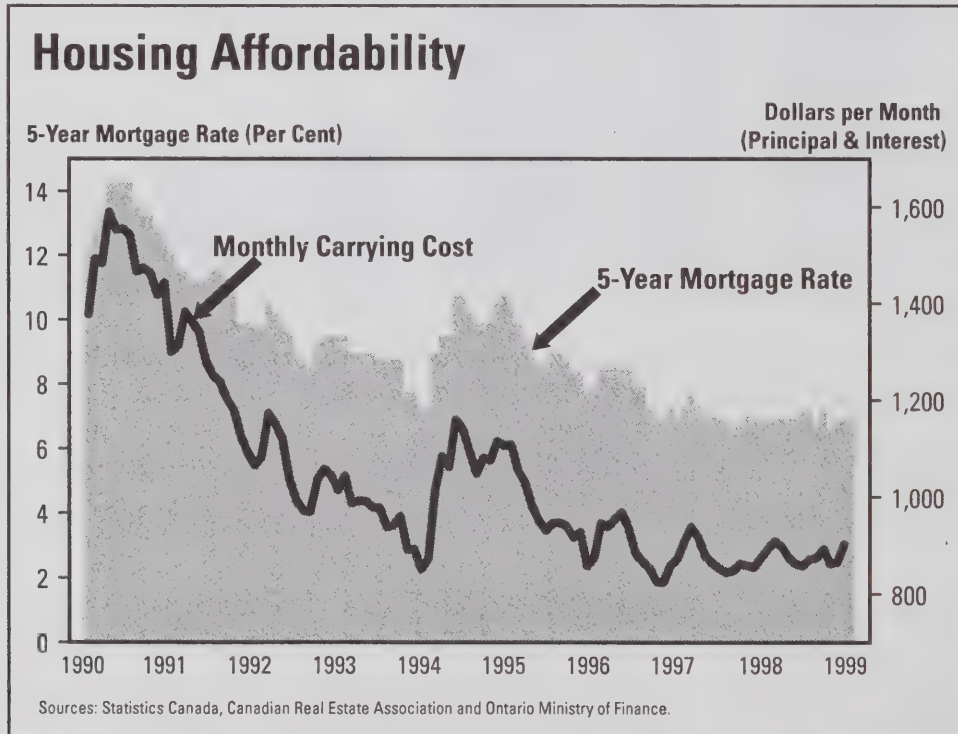
*"A solid economic performance points to growth in housing demand."*

*Canada Mortgage and Housing Corporation, 1999*

The residential construction sector is expected to remain strong in 1999, fuelled by strong job creation, rising real income and continued population growth.

The Land Transfer Tax (LTT) rebate for first-time buyers of new homes will continue to support the housing industry. Ontario housing starts are expected to rise to 59,500 in 1999, an increase of 10.6 per cent, and to 62,700 in 2000. Residential construction spending in Ontario is projected to rise by 4.0 per cent in 1999 and a further 3.5 per cent in 2000.

Housing remains very affordable. Five-year mortgages are near historic lows, with the posted rate at most financial institutions at 6.95 per cent, compared to rates over 14 per cent in the early 1990s. Average resale home prices are rising modestly, up 1.7 per cent in 1998. In 1998, the carrying cost for an average-priced home in Ontario was \$877, compared to \$1,488 in 1990.

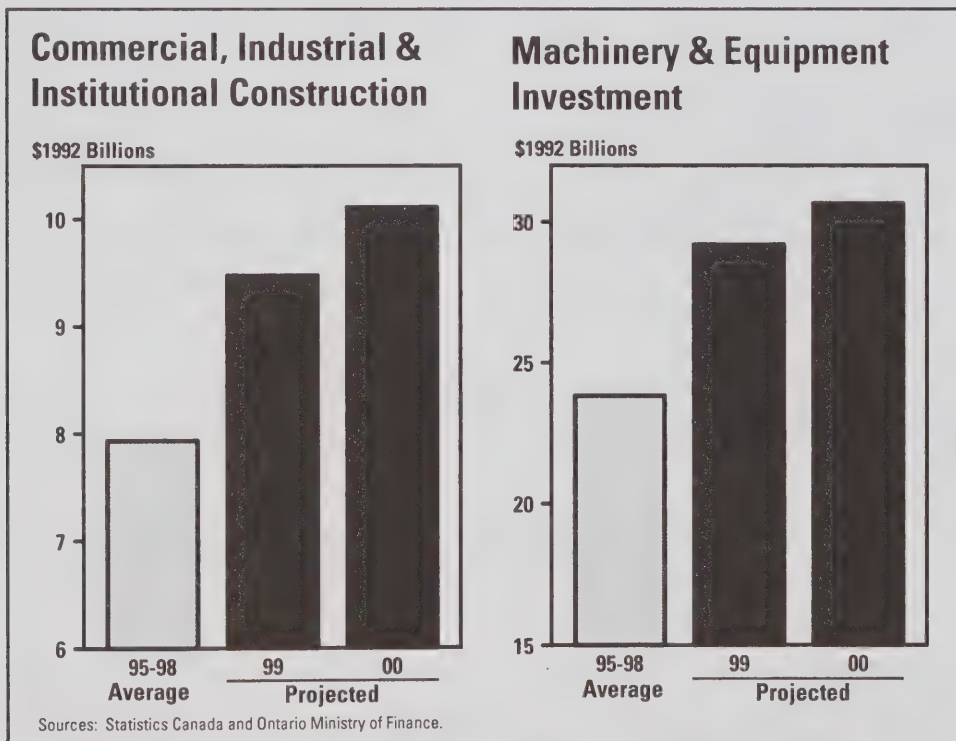




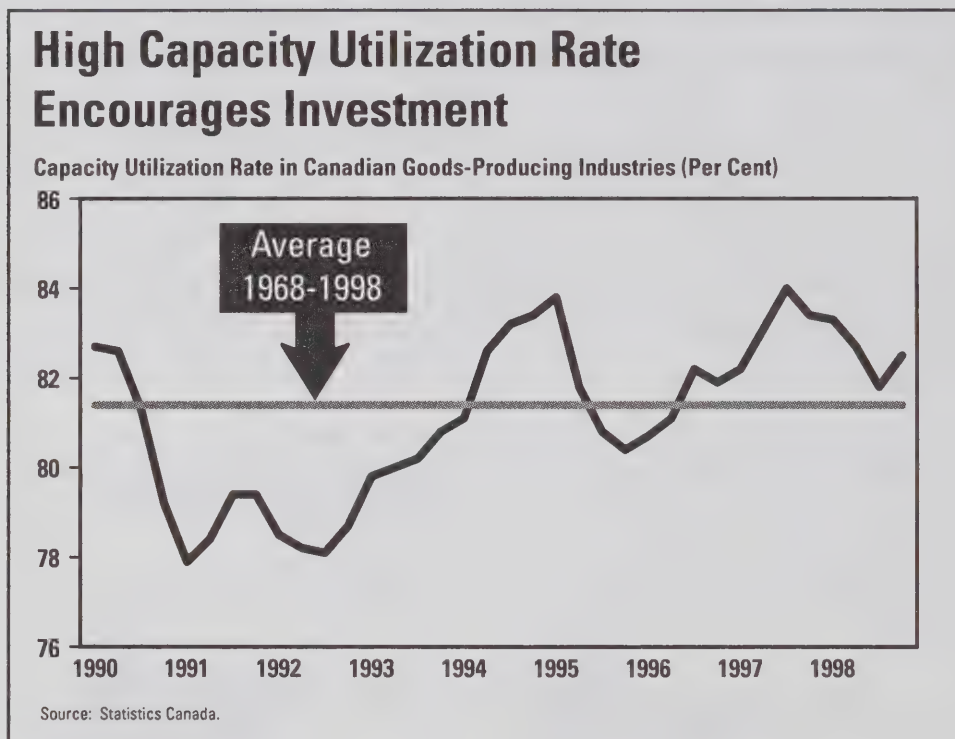
## Firms Investing for the New Millennium

Businesses have responded to supportive Government policies, resulting in healthy investment growth over the past three years. This growth has been instrumental in enhancing Ontario's competitive position in the international economy. Ontario real business investment in new machinery and equipment rose 63.2 per cent over the 1995 to 1998 period. Real investment in commercial, industrial and institutional construction rose 24.4 per cent in the same period. As Ontario's firms prepare to do business in the new millennium, they are rapidly upgrading their capital stock with modern, highly productive machinery, equipment and structures. This investment will lead to greater job creation, rising productivity and additional output growth.

- ◆ Machinery and equipment investment is projected to increase by 7.9 per cent over 1999 and 2000.
- ◆ Spending in the commercial, industrial and institutional construction sector is expected to remain vigorous, with a projected increase of 11.9 per cent in 1999 and a further 6.8 per cent in 2000.



- ◆ Large firms continue to reaffirm their commitment to the province. Agrium, Bayer, Chrysler, DuPont Canada, Halla Climate Control, Honda and Toyota have recently completed major investments. Firms with large current projects include Buchanan Forest Products, Dofasco, Ford, Owens Corning and Stelco.
- ◆ The strength in business investment in recent years has led to an increase in potential output. Capacity utilization remains above its long-term average, prompting firms to invest further.



- ◆ Capacity use in the auto industry jumped to 90.3 per cent in the fourth quarter of 1998, the highest rate in over a decade.
- ◆ Ontario industrial real estate development is growing strongly. Commercial and industrial building permits rose 32.6 per cent in 1997 and a further 19.9 per cent in 1998.
- ◆ The strong demand for commercial space is encouraging new construction throughout the Greater Toronto Area, as well as in surrounding markets.

## Ontario Embraces Innovation and New Technology

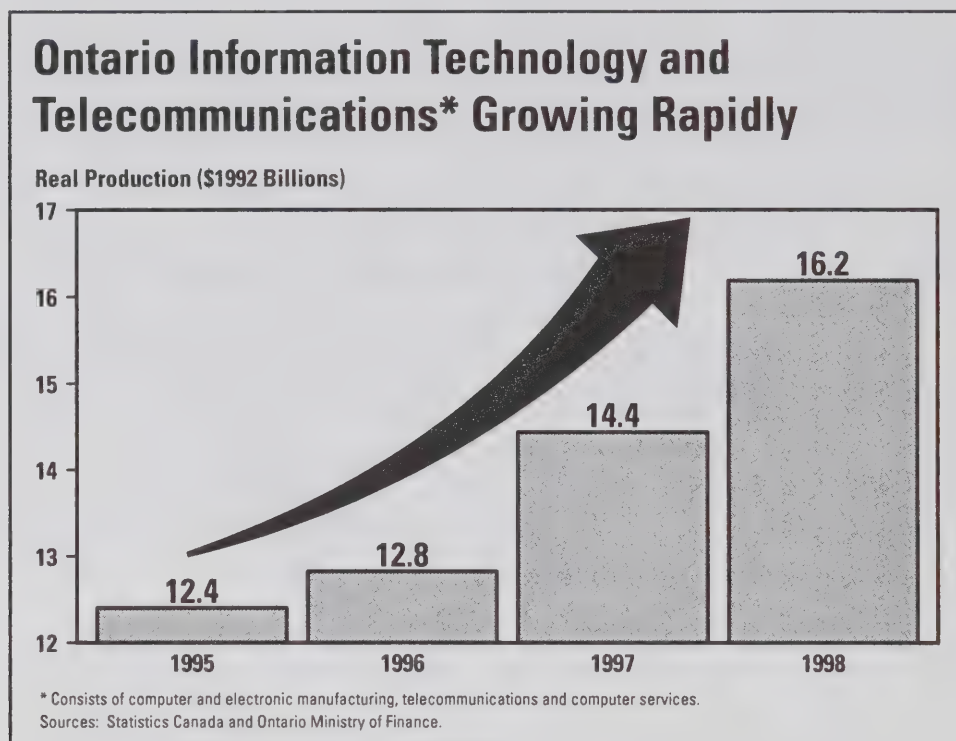
Ontarians are at the forefront of adopting new technology. Across the full spectrum of industries, Ontario firms are investing in computers, robotics, telecommunications and other new technologies to remain competitive in an international marketplace. Ontario consumers are also leading-edge users of technology. Ontario and the rest of Canada lead the G-7 in the penetration of cable, telephones and home computers. Canada is second only to the United States in Internet access.

The growing use of the Internet and cellular phones, combined with deregulation, has helped to make the information technology and telecommunications (IT&T) sector one of the most dynamic in the 1990s. The firms supporting and developing these technologies have blossomed into an important, fast-growing sector of Ontario's economy, creating new jobs and keeping Ontario at the leading edge of innovation. Technology-based firms currently investing in Ontario include Call-Net, Gennum and Jetform.

- ◆ Ontario has several major centres with large clusters of technology-based industries.
  - A recent Deloitte & Touche study concluded that the Greater Toronto Area (GTA) has developed into one of North America's premiere centres for IT&T. There are more than 3,100 IT&T firms in the GTA, many of which spend heavily on research and development (R&D), helping to make the GTA one of the top five R&D-performing urban areas in North America.
  - The GTA also has North America's highest per-capita use of cellular phones, the largest free telephone calling area in the world, and 1,500 call centres providing 90,000 jobs.
  - The Ottawa region is home to more than 800 companies working in a diverse range of advanced technologies and employing more than 50,000 workers. Ottawa has the highest percentage in Canada of persons with university degrees and scientists/engineers in the workforce.
  - The Kitchener-Waterloo, Guelph and Cambridge area is home to more than 300 technology companies, over half of which are in computer software. There are nearly 100 technology-based spinoff companies from the University of Waterloo alone, one of three universities in the area.



- ◆ Since 1995, Ontario's computer programming and related services industry has nearly doubled its production. Computer system design industries alone created over 50,000 net new jobs during this period.

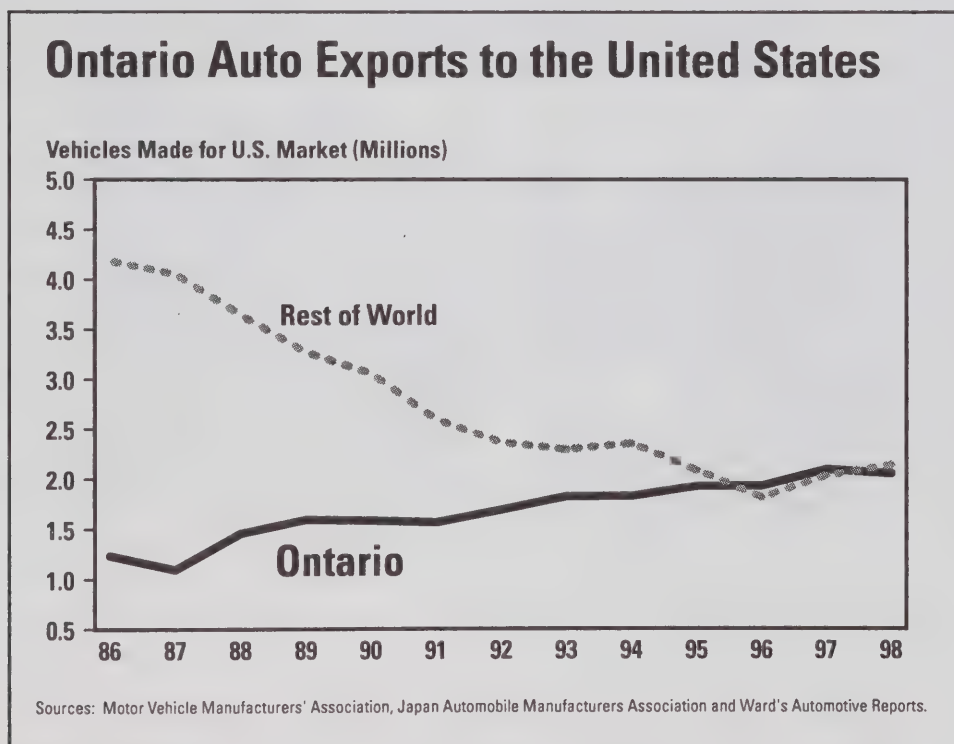


- ◆ Computer, electronics and telecommunications equipment production has grown 11.2 per cent on average over the last two years. This industry has created 13,000 net new jobs since 1995.
- ◆ Computer sales have been one of the fastest-growing segments of Ontario's wholesale and retail markets in the 1990s. In 1998 alone, Ontario sales of computer products jumped 13.9 per cent above levels recorded a year earlier.
- ◆ Telecommunications carriers have recorded consistently strong growth since 1995, averaging 8.4 per cent per year. Strong growth combined with a nearly 20 per cent increase in employment over the last four years has made the telecommunications sector one of Ontario's economic engines.

## Rising Exports Contribute to Growth

Ontario's real exports are projected to grow at an average rate of 5.5 per cent over the next two years. The province's international export orientation has increased sharply, rising from 27.5 per cent of GDP in 1989 to 48.9 per cent in 1998. The United States is the destination for about 90 per cent of Ontario's international exports, and economic conditions in the United States are expected to support continued trade expansion.

- ◆ The auto sector remains Ontario's largest export industry, accounting for 45.5 per cent of total international exports in 1998. On average, over the past three years, Ontario exported as many vehicles to the United States as the rest of the world combined. The auto industry continued to break records in 1998, achieving an output level of 2,473,000 units.

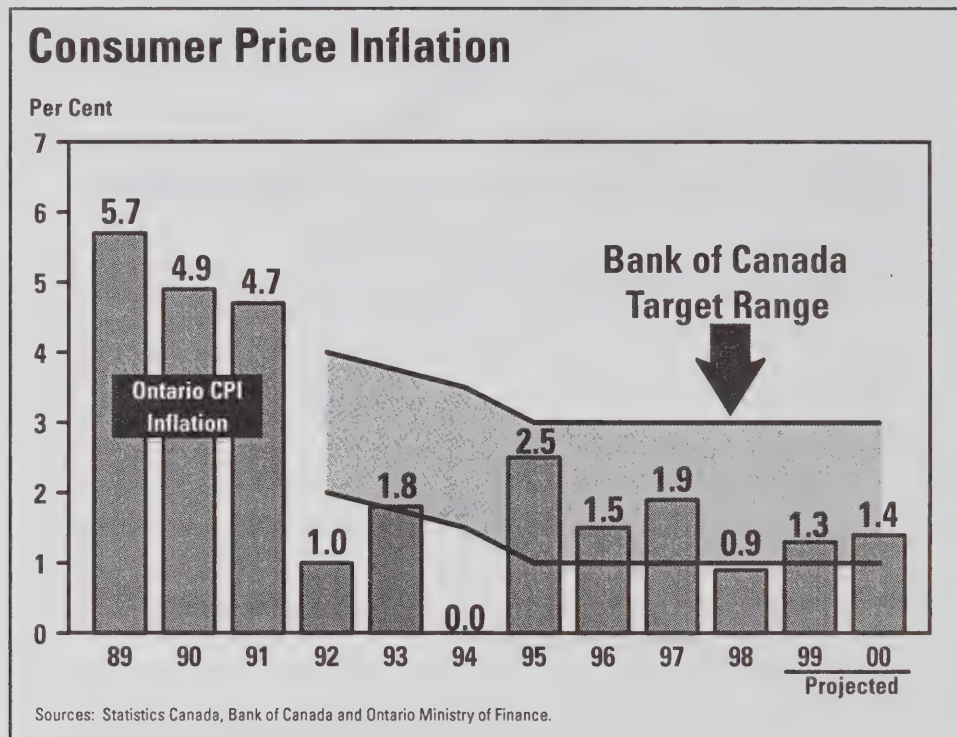


- ◆ The strong competitive position of Ontario's auto industry is based on efficient production and high quality. With demand expected to be firm, the industry is expected to continue growing over the next two years.
- ◆ Telecommunications and computer-related Canadian exports have risen by 128.6 per cent in the last four years. Knowledge-based, high-technology industries will continue to be the leading job-creating sector of the economy.

## Continued Low Inflation

The Canadian inflation rate was 1.0 per cent in March 1999, at the low end of the Bank of Canada's target range. Falling commodity prices, stiff import competition and modest wage gains have offset the inflationary impact of the weak Canadian dollar, keeping inflation low.

Over the next two years, inflation is expected to remain in the lower half of the Bank of Canada's one to three per cent target band. Sustained low inflation will contribute to a healthy economic environment by helping to keep interest rates low and bolstering business and consumer confidence.

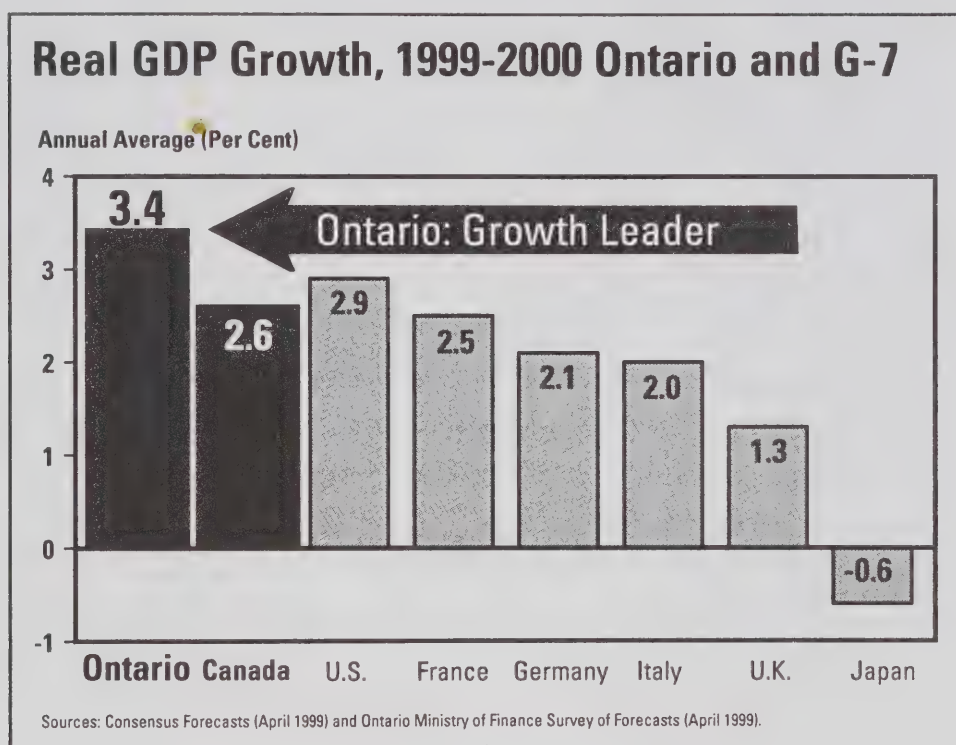




## Conclusion

The outlook for the Ontario economy remains robust. Job creation is continuing at a record pace. Real GDP is projected to grow by 3.7 per cent in 1999 and a further 2.8 per cent in 2000. Private-sector economists are, on average, forecasting real growth of 3.8 per cent in 1999 and 2.9 per cent in 2000.

Ontario is expected to achieve faster economic growth than Canada or any of the G-7 major industrial countries over the next two years.



**The Ontario Economy, 1997–2000**  
**(Per Cent Change)**

	Actual		Projected	
	1997	1998	1999	2000
<b>Real Gross Domestic Product</b>	<b>4.6</b>	<b>4.2</b>	<b>3.7</b>	<b>2.8</b>
Personal consumption	4.6	4.7	2.9	2.6
Residential construction	15.7	0.2	4.0	3.5
Non-residential construction	6.7	-1.5	11.9	6.8
Machinery and equipment	19.5	9.8	2.8	5.0
Exports	10.1	9.1	6.9	4.1
Imports	13.3	8.9	6.2	4.0
<b>Nominal Gross Domestic Product</b>	<b>5.3</b>	<b>3.4</b>	<b>4.3</b>	<b>4.5</b>
<b>Other Economic Indicators</b>				
Retail sales	7.7	6.9	4.3	4.1
Housing starts (000s)	54.1	53.8	59.5	62.7
Personal income	3.6	4.1	4.3	4.6
Corporate profits	13.9	-2.3	5.6	5.8
Ontario Consumer Price Index	1.9	0.9	1.3	1.4
<b>Labour Market</b>				
Employment*	1.9	3.7	3.5 – 4.0	2.3 – 3.0
Unemployment rate* (per cent)	8.5	7.2	6.0 – 6.5	5.5 – 6.0

Sources: Statistics Canada and Ontario Ministry of Finance.

\* Based on Labour Force Survey.

# **PAPER A**

## **Appendix**



For fiscal planning purposes, interest rates are assumed to be 50 basis points higher than the average private-sector forecast.

<b>Interest Rate Assumptions (Average Per Cent)</b>				
	<b>1998</b>	<b>1999</b>	<b>1999</b>	<b>2000</b>
		<b>Jan. – Apr.</b>	<b>May – Dec.</b>	
<b>3-month treasury bill</b>				
Private-sector survey average	<b>4.7</b>	<b>4.7</b>	4.5	4.4
Ontario's assumption			5.0	4.9
<b>10-year government bonds</b>				
Private-sector survey average	<b>5.3</b>	<b>5.1</b>	5.0	5.1
Ontario's assumption			5.5	5.6
Sources: Bank of Canada, Ontario Ministry of Finance and Ontario Finance Financial Market Survey (April 1999).				

Projected real economic growth is set near the average private-sector forecast for 1999 and 2000.

<b>Economic Growth Projections (Per Cent)</b>		
	<b>1999</b>	<b>2000</b>
<b>Ontario Real GDP Growth</b>		
Private-sector high	4.5	3.6
Private-sector low	3.3	2.4
Private-sector survey average	3.8	2.9
<b>Ontario's projection</b>	<b>3.7</b>	<b>2.8</b>
Sources: Ontario Ministry of Finance and Ontario Finance Survey of Forecasts (April 1999).		
Note: The private-sector average is based on eight recent forecasts.		

The budget includes a \$500 million reserve designed to protect the fiscal plan against unexpected and adverse changes in the economic and fiscal outlook.

The following table shows the sensitivity of the deficit to the direct impact of lower interest rates on public debt interest (PDI) and the impact of stronger economic growth on revenues and expenditures. These are partial calculations. For example, the impacts do not incorporate the economic impact of lower interest rates on economic activity.

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**Impact of Changes in Fiscal Plan Economic Assumptions on the Ontario Deficit  
(\$ Millions)**

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	1999-00
100 Basis Points Lower Canadian Interest Rates	-102
1 Percentage Point Higher Real GDP Growth	-525

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Source: Ontario Ministry of Finance.

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## **PAPER B**

# **Ontario's Fiscal Plan**





## Introduction

In June 1995, when the Government took office, Ontario was facing a deficit of \$11.3 billion. The projected deficit was only marginally lower than the 1992-93 recession-year peak of \$12.4 billion.

Ontario faced serious fiscal challenges. The Province was spending over \$1 million more per hour than it was collecting in revenue. Provincial debt more than tripled in the ten years after 1985-86.

Upon assuming office, the Government took immediate action to deal with the deficit and to restore confidence in Ontario's finances. Measures were announced in July 1995 to reduce the deficit immediately, and in November of the same year, the Government introduced the Balanced Budget Plan, which set out declining annual deficit targets for the Province, culminating in a balanced budget by 2000-01.

In each of the past four years, the Provincial deficit reduction target has been overachieved. With the 1999 Budget, the original 1999-00 deficit target of \$2.6 billion will be cut by \$0.5 billion, and set at \$2.1 billion. Ontario is currently on track to achieve the final Balanced Budget Plan deficit target with a zero deficit in 2000-01.

Fiscal year 1999-00 is the last year in which Ontario will record a deficit. In 2000-01, Ontario will balance the budget.

### **This paper will:**

- ◆ review the interim financial results for 1998-99;
- ◆ provide details on the 1999-00 Budget Plan;
- ◆ project the medium-term fiscal outlook, including a balanced budget for 2000-01; and
- ◆ examine Ontario's recent fiscal record.

# 1998-99 In-Year Fiscal Performance

## Deficit Target Overachieved for Fourth Year

For the fourth year in a row, the Balanced Budget Plan deficit target has been overachieved. The interim deficit of \$3.2 billion for 1998-99 is \$1,063 million below the 1998 Budget target of \$4.2 billion, and \$1.6 billion below the original Balanced Budget Plan target of \$4.8 billion.

### 1998-99 In-Year Fiscal Performance (\$ Millions)

	Budget Plan	Interim	In-Year Change
<b>Revenue</b>	53,390	54,859	1,469
<b>Expenditure</b>			
Programs	45,219	46,855	1,636
Restructuring and Other Charges	194	220	26
Total Program Expenditure	45,413	47,075	1,662
Capital	2,337	1,873	(464)
Public Debt Interest	9,214	9,072	(142)
Total Expenditure	56,964	58,020	1,056
Reserve	650	—	(650)
<b>Deficit</b>	<b>4,224</b>	<b>3,161</b>	<b>(1,063)</b>

- ◆ Revenue was \$1,469 million above the 1998 Budget Plan. The higher revenue reflects both the strength of the economy and the cautious nature of the 1998 Budget projections.
- ◆ Total expenditure was \$1,056 million above the amount projected in the 1998 Budget, largely due to increases in health and education expenditures, partially offset by savings in capital spending.
- ◆ With in-year improvements in the revenue outlook, the \$650 million reserve, included in the 1998 Budget to protect the Budget Plan against unforeseen risks such as adverse changes in the economic and fiscal outlook, was not needed. The reserve was applied to deficit reduction.

## 1998-99 Restructuring Charges

Over the past three years, the Government has made significant investments to assist with restructuring efforts in such key sectors as health care, education and municipalities. In 1998-99, \$220 million was provided to assist with restructuring.

<b>1998-99 Restructuring and Other Charges</b> (\$ Millions)	
	<b>Interim 1998-99</b>
Health Care – increase in provision	193
Municipal – Ottawa-Carleton Regional Transit Commission Transit Bus Subsidy Agreement	44
Municipal Capital and Operating Restructuring Fund – reduction in provision	(17)
<b>Total Restructuring and Other Charges</b>	<b>220</b>

- ◆ As a result of additional projects and revised costs for renovation projects, the provision to support modernization of the Province's health care system was increased by \$193 million in 1998-99.
- ◆ As part of Local Services Realignment, under which municipalities are becoming fully responsible for all aspects of transit operations and funding, the Province made a one-time payment of \$44 million to discharge provincial responsibilities flowing from cancellation of the Ottawa-Carleton Regional Transit Commission Transit Bus Subsidy Agreement.
- ◆ The decision to maintain Provincial control of ferries resulted in a \$17 million reduction in the provision for transportation-related needs through the Municipal Capital and Operating Restructuring Fund.
- ◆ Consistent with the treatment in the 1997-98 Public Accounts, items formerly noted as restructuring charges have been reclassified as program spending, including Special Circumstances funding for municipalities for 1998 and 1999 totalling \$180 million and school board transition costs of \$88 million. The Government will provide a total of \$385 million over four years in transition and restructuring assistance to school boards, including \$224 million reflected in 1997-98 restructuring charges.



## Local Services Realignment Transition Measures

The goal of Local Services Realignment (LSR) is to improve accountability, reduce waste and duplication, and provide better government services at a lower cost to Ontario taxpayers. Provincial and municipal services are being realigned in order to provide the best possible services at the lowest possible price.

Responsibility for a number of programs was transferred to municipalities on January 1, 1998. To ensure a smooth transition, the Province is continuing to deliver some of these programs on behalf of municipalities, pending program transfer. During the transition period, municipalities will reimburse the Province for these expenditures made on their behalf.

<b>Local Services Realignment Transition Measures: Impact on Fiscal Plan</b>		
<b>(\$ Millions)</b>		
	<b>1998-99</b>	<b>1999-00</b>
<b>Transition Expenditures</b>		
Social Housing	832	821
Social Assistance	697	583
Child Care	57	37
Land Ambulance	166	99
Property Assessment	93	0
GO Transit – Operating	21	41
– Capital	45	40
Provincial Offences Act	16	14
Grant in Respect of Provincial Offences Act Net Revenues	76	70
<b>Total Increase in Expenditure</b>	<b>2,003</b>	<b>1,705</b>
<b>Reimbursement of Expenditure from Municipalities</b>	<b>(1,876)</b>	<b>(1,597)</b>
<b>Provincial Offences Act Revenue</b>	<b>(92)</b>	<b>(84)</b>
<b>Net Impact on Deficit</b>	<b>35</b>	<b>24</b>

- ◆ In 1999-00, the Province will provide \$99 million for land ambulance transition expenditures. The Province now shares 50 per cent of approved municipal costs. During 1998, municipalities were fully responsible for land ambulance costs.
- The change in LSR arrangements for public health and land ambulances will reduce costs to municipalities by \$290 million in 1999-00, with overall net savings to municipalities of \$152 million.

## 1998-99 In-Year Revenue Changes

Total revenue in 1998-99 was \$54,859 million, \$1,469 million above the \$53,390 million projected in the 1998 Budget. Tax revenue gains offset lower federal transfers, non-tax revenue and Income from Government Enterprises. Tax revenue was \$2,093 million above projection in 1998-99 as a result of the strength of the Ontario economy. Most of the in-year tax revenue gain was from improved Personal Income Tax, Employer Health Tax and Retail Sales Tax revenue, resulting in large part from stronger economic growth and job creation.

### Summary of In-Year Changes to Revenue in 1998-99

(\$ Millions)

#### Taxation Revenue

Personal Income Tax	2,115	
Employer Health Tax	100	
Retail Sales Tax	90	
Corporations Tax	(165)	
Land Transfer Tax	(83)	
All Other	36	
		2,093

#### Federal Payments

Canada Health and Social Transfer	(371)	
All Other	(49)	
		(420)

#### Income from Government Enterprises

Ontario Casino Corporation	82	
Liquor Control Board of Ontario	25	
Ontario Lottery Corporation	(164)	
Other	27	
		(30)

#### Other Revenue

Sales and Rentals	156	
Royalties	32	
Miscellaneous	(189)	
Local Service Realignment – Reimbursement of Expenditure	(157)	
Vehicle and Driver Registration Fees	(65)	
All Other	49	
		(174)

#### Total In-Year Revenue Changes

1,469

- ◆ Personal Income Tax (PIT) revenue was \$16,750 million, \$2,115 million above the 1998 Budget projection. Of this increase, \$1,474 million is due to higher estimated 1997-98 PIT than was reported in the 1997-98 Public Accounts. Under Public Sector Accounting Board (PSAB) guidelines, the difference between the higher estimate and the 1997-98 Public Accounts estimate is recorded in 1998-99.
- ◆ Robust employment growth boosted Employer Health Tax revenue \$100 million above forecast.
- ◆ Retail Sales Tax was \$90 million above the 1998 Budget projection due to strong consumer and business spending.
- ◆ Corporations Tax revenue was \$165 million below the Budget forecast due to weaker-than-projected corporate profits in 1998. Corporate profits fell by 2.3 per cent in 1998.
- ◆ Land Transfer Tax revenue was \$83 million below the 1998 Budget forecast.
- ◆ All other Taxation Revenue was \$36 million above the 1998 Budget projections. This increase was due to the transfer of \$63 million in Estate Fees revenue to the new Estate Administration Tax, partially offset by lower Mining Profits Tax and Preferred Share Dividend Tax revenue.
- ◆ Transfers from the Government of Canada for 1998-99 were \$4,508 million, \$420 million lower than the 1998 Budget forecast. This largely reflects \$371 million in lower-than-projected Canada Health and Social Transfer (CHST) payments for 1998-99 as a result of a downward revision of estimates to Ontario's population going back to 1995, and an increase in the Province's PIT revenue. Under the federal CHST allocation formula, an increase in the value of Ontario's income tax points results in lower federal cash payments to the Province.
- ◆ All other transfers from the Government of Canada were \$49 million lower than the 1998 Budget forecast.
- ◆ Income from Government Enterprises was \$30 million below the 1998 Budget projection. Stronger net income growth for the Ontario Casino Corporation and the Liquor Control Board of Ontario was offset by lower Ontario Lottery Corporation (OLC) income. OLC income was \$164 million below forecast due to changes in the charity casino and slot machines at race tracks program and a revised implementation schedule.

- ◆ Total Other Revenue was down \$174 million.
  - Sales and Rentals are \$156 million higher, largely due to higher GO Transit revenue.
  - Miscellaneous Revenue was down \$189 million due in part to the reclassification of \$64 million of fees from the Alcohol and Gaming Commission to Other Fees and Licences. Miscellaneous Revenue was also reduced by \$75 million as recoveries and reimbursements of prior years' spending have been netted against expenditure, in keeping with the treatment of these items in the 1997-98 Public Accounts.
  - Reimbursement of expenditure from municipalities is lower by \$157 million, reflecting LSR program savings and changes in cost-sharing arrangements to the benefit of municipalities.
  - Vehicle and Driver Registration Fees are lower by \$65 million as the 1997-98 revenue base was overestimated in the 1998 Budget.



## 1998-99 In-Year Operating Expenditure Changes

Operating expenditure for 1998-99 was \$1,520 million higher than forecast in the 1998 Budget Plan, increasing to \$56,147 million. This increase is mainly due to in-year increases in health and education spending and the establishment of the Ontario Innovation Trust.

### Summary of In-Year Operating Expenditure Changes in 1998-99 (\$ Millions)

	Interim 1998-99
<b>Program Expenditure Changes:</b>	
Hospitals – one-time assistance	229
Canadian Blood Services – start-up and insurance costs	220
Hepatitis C compensation – pre-1986 and post-1990	200
Drug Programs – utilization increase	75
School Board Capital Debentures – change in accounting treatment of debt servicing	307
Ontario Innovation Trust	250
School Board Operating Grants – in-year increase	154
Special Circumstances Fund – increase for 1999	103
GO Transit	87
Whole Farm Assistance – income relief for farmers	40
All Other Changes (Net)	(3)
<b>Total Program Expenditure Changes</b>	<b>1,662</b>
<b>Public Debt Interest – in-year savings</b>	<b>(142)</b>
<b>Total In-Year Operating Expenditure Changes</b>	<b>1,520</b>

- ◆ One-time assistance totalling \$229 million was provided in-year to hospitals, including \$129 million to assist with managing change and improving their financial positions, and \$100 million for the Hospital System Transition Fund to assist hospitals with short-term financial pressures.
- ◆ An additional \$220 million was provided in-year for start-up and insurance costs for Canadian Blood Services.
- ◆ Ontario provided an additional \$200 million in-year for compensation to individuals who contracted Hepatitis C through the blood system prior to 1986 and after 1990.

- ◆ Funding for Ontario Drug Programs was increased in-year by \$75 million mainly due to increased utilization.
- ◆ Consistent with the 1997-98 Public Accounts treatment of the Province's three-year commitment to fund debt service costs for school board capital debentures, increased expenditure of \$307 million is reflected in 1998-99.
- ◆ The Province established the Ontario Innovation Trust and provided an endowment of \$250 million for purposes of providing funding to Ontario research institutions for infrastructure, including laboratories, buildings and equipment.
- ◆ A net in-year increase in the School Board Operating Grant of \$154 million reflects the reduction in 1999 residential education property taxes; additional funding for secondary school credits, special education and teachers' retirement gratuities; and revised expenditure estimates from school boards.
- ◆ The Province provided \$103 million for the 1999 Special Circumstances Fund in addition to the \$77 million for 1998 reported in the 1998 Budget. This funding is to assist municipalities with transitional expenditures resulting from Local Services Realignment.
- ◆ Expenditures related to GO Transit increased \$87 million in-year, reflecting the continuing consolidation of GO Transit as a government service organization until GO Transit is fully transferred to municipalities in 1999-00.
- ◆ The Province provided \$40 million in-year for much-needed income relief for farmers suffering from extremely low commodity prices and weather-related disasters.
- ◆ Financing at lower-than-projected interest rates generated in-year Public Debt Interest (PDI) savings of \$142 million.

## 1998-99 In-Year Capital Expenditure Changes

Capital expenditure for 1998-99 was \$464 million lower than forecast in the 1998 Budget Plan, declining from \$2,337 million to \$1,873 million as a result of slower-than-anticipated project implementation.

### Summary of In-Year Capital Expenditure Changes in 1998-99

(\$ Millions)

	Interim 1998-99
Health Capital – slower implementation	(299)
School Capital – construction delays	(70)
Adult Infrastructure Renewal Projects – construction delays	(42)
Ontario Research and Development Challenge Fund Capital Grants	(22)
Courts Construction – delays in construction	(18)
All Other Changes (Net)	(13)
<b>Total In-Year Capital Expenditure Changes</b>	<b>(464)</b>

- ◆ Slower-than-projected implementation and planning delays in projects reduced 1998-99 Ministry of Health capital expenditure by a total of \$299 million in-year.
- ◆ School capital spending was \$70 million lower than originally forecast, mainly due to delays in new school construction.
- ◆ Construction delays reduced capital expenditure for Adult Infrastructure Renewal projects by \$42 million.
- ◆ In 1998-99, Ontario approved \$23 million for Ontario Research and Development Challenge Fund capital grants, \$22 million less than forecast in the 1998 Budget.
- ◆ Construction spending for new consolidated courthouses was \$18 million lower than originally projected, due to construction delays.

## 1999-00 Fiscal Plan

The 1999-00 Balanced Budget Plan deficit target of \$2.6 billion is revised down by \$0.5 billion, and is forecast at \$2.1 billion. The deficit has been reduced by \$9.2 billion, or more than 80 per cent, from the \$11.3 billion potential deficit facing the Government when it assumed office in June of 1995.

<b>1999-00 Fiscal Plan</b>				
<b>(\$ Millions)</b>				
	<b>Interim</b>	<b>Plan</b>	<b>Change</b>	
	<b>1998-99</b>	<b>1999-00</b>	<b>\$ Millions</b>	<b>Per Cent</b>
<b>Revenue:</b>				
Taxation Revenue	42,539	42,585	46	0.1
Federal Transfers	4,508	5,556	1,048	23.2
Income from Government Enterprises	2,408	3,247	839	34.8
Other Revenue	5,404	6,762	1,358	25.1
<b>Total Revenue</b>	<b>54,859</b>	<b>58,150</b>	<b>3,291</b>	<b>6.0</b>
<b>Expenditure:</b>				
Programs*	46,855	47,025	170	0.4
Restructuring and Other Charges	220	-	(220)	(100.0)
<b>Total Programs Expenditure</b>	<b>47,075</b>	<b>47,025</b>	<b>(50)</b>	<b>(0.1)</b>
Capital	1,873	2,883	1,010	53.9
Public Debt Interest				
Provincial	9,072	9,298	226	2.5
Ontario Hydro Successor Companies**	-	520	520	-
<b>Total Expenditure</b>	<b>58,020</b>	<b>59,726</b>	<b>1,706</b>	<b>2.9</b>
Reserve	-	500	500	-
<b>Deficit</b>	<b>3,161</b>	<b>2,076</b>	<b>(1,085)</b>	<b>(34.3)</b>
* Major one-time spending in 1998-99 includes \$733 million in the Ministry of Health, \$250 million for the Ontario Innovation Trust, \$180 million for the Special Circumstances Fund, and \$159 million for non-Ministry of Health Year 2000 computer system changes.				
** Debt service costs in 1999-00 related to the Province's equity ownership of Ontario Hydro successor companies, are offset by increased Income from Government Enterprises revenue, which reflects the net income of these corporations.				

- ◆ Revenue is projected at \$58,150 million for 1999-00, 6.0 per cent higher than the 1998-99 level of \$54,859 million.
- ◆ Total expenditure in 1999-00 is projected at \$59,726 million, \$1,706 million higher than the 1998-99 level of \$58,020 million. Program spending has decreased by 0.1 per cent.



- ◆ Consistent with prudent budgeting practices, a \$500 million reserve has been included in the 1999-00 fiscal plan. The reserve is designed to protect the fiscal plan against unexpected and adverse changes in the economic and fiscal outlook and is equivalent to the revenue impact of one per cent lower real GDP growth, a four per cent decline in Retail Sales Tax revenue, or a six per cent decline in Corporations Tax revenue. If the reserve is not needed, it will be applied to deficit reduction.

## 1999-00 Revenue Outlook

Total revenue in 1999-00 is projected to increase to \$58,150 million, or 6.0 per cent above the 1998-99 level of \$54,859 million. Tax revenue is projected to grow in 1999-00 to \$42,585 million. Excluding the \$1,474 million included in 1998-99 Personal Income Tax (PIT) revenue for higher estimated 1997-98 PIT than was included in the 1997-98 Public Accounts, tax revenue grows by 3.7 per cent.

### 1999-00 Revenues

(\$ Millions)

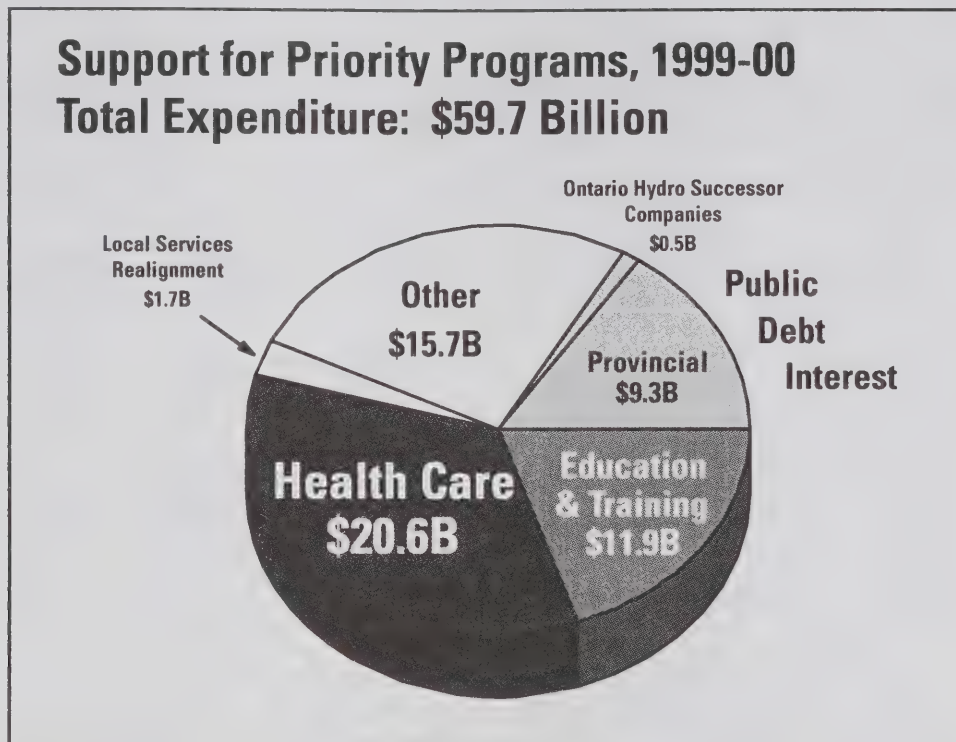
	Actual 1997-98	Interim 1998-99	Plan 1999-00
Taxation	41,269	42,539	42,585
Federal Payments	5,098	4,508	5,556
Income from Government Enterprises	2,291	2,408	3,247
Other Revenue	3,860	5,404	6,762
<b>Total Revenue</b>	<b>52,518</b>	<b>54,859</b>	<b>58,150</b>

- ◆ Personal Income Tax revenue is projected at \$15,670 million.
- ◆ Retail Sales Tax is forecast to increase to \$12,110 million due to continued growth in consumer and business spending.
- ◆ Growing corporate profits are projected to increase Corporations Tax revenue to \$7,820 million.
- ◆ The continued rise in employment and incomes is expected to boost Employer Health Tax revenue to \$2,990 million in 1999-00.
- ◆ Transfers from the Government of Canada are forecast to increase to \$5,556 million in 1999-00.
- ◆ Canada Health and Social Transfer (CHST) payments are forecast at \$4,672 million, an increase of \$1,093 million over 1998-99 levels. Part of the change, \$190 million, is due to changes to the CHST allocation formula, part is due to technical changes, and the remainder, \$755 million, is the 1999-00 portion of the one-time CHST Supplement for Health Care, announced in the 1999 federal budget. In 1999-00, the Supplement partially recovers previous federal cuts to Ontario's CHST payments.

- ◆ Income from Government Enterprises is expected to increase to \$3,247 million. This outlook includes the net income of Ontario Hydro successor companies, estimated at \$527 million in 1999-00. Income from the Ontario Lottery Corporation includes \$188 million in revenue from charity casinos and slot machines at race tracks.
- ◆ Other revenue is expected to increase to \$6,762 million. Sales and Rentals revenue includes an estimated \$1,600 million in 1999-00 from the net proceeds from the sale of Highway 407. Other Revenue also includes Vehicle and Driver Registration Fees, Other Fees and Licences, Royalties, and Fines and Penalties.

## 1999-00 Expenditure Outlook

The Government is continuing to focus its resources on priority sectors such as health care and education, and at the same time control total spending. Almost \$32.5 billion will be allocated to health care and education in 1999-00, over 54 per cent of total spending.



- ◆ Over the past three years, the Government has demonstrated its commitment to health care by increasing spending levels steadily. In 1999-00, base operating and capital health care spending excluding Local Services Realignment transition expenditure, will rise to \$20.6 billion, an increase of \$1.6 billion over the 1998-99 level, which was already the highest level ever in Ontario.
- ◆ Operating and capital spending on education and training will be \$11.9 billion in 1999-00. Universities and colleges are being provided with the capital funding they require to invest in the infrastructure necessary to accommodate growth in the student population in the coming years. Over the past year, the Government has also announced numerous enhancements to provincial support for school boards.



## Increased Funding for Health Care

As a result of new Provincial funding of \$702 million this year, combined with the \$945 million in recovered entitlements from the federal government, Ontario's total health care spending will increase by \$1.6 billion in 1999-00 to \$20.6 billion. Total health care spending includes base operating and capital expenditures, but excludes Local Services Realignment (LSR) transition expenditures.

Health Expenditures Increasing by \$1.6 Billion			
(\$ Millions)			
	Interim 1998-99	Plan 1999-00	Change
Base Operating*	18,925	20,173	1,248
Capital Expenditures	172	504	332
Total	19,097	20,677	1,580
Less: Local Services Realignment (LSR)	(166)	(99)	67
Transition Expenditures**			
Total	18,931	20,578	1,647
	Additional federal entitlements		945
	Additional provincial funding		702
	Total Change		1,647

\* Interim 1998-99 excludes \$193 million in health care restructuring and \$733 million in major one-time health care costs (including \$220 million for Canadian Blood Services start-up and insurance costs, \$200 million for compensation to individuals who contracted Hepatitis C through the blood system prior to 1986 and after 1990, \$229 million in one-time assistance to hospitals, and \$84 million in Ministry and broader public sector Year 2000 computer system changes).

\*\* Portion of land ambulance services reimbursed by municipalities.

- ◆ Ontario will follow the draw-down schedule set out in the 1999 federal budget and the CHST Trust Agreement, and in 1999-00 will spend \$755 million of its \$1,323 million share. The Province will also receive an estimated \$190 million in 1999-00 as a result of changes to the CHST allocation formula. The Province has committed to spending the \$945 million on health care in 1999-00.

## 1999-00 Capital Outlook

The Government will provide almost \$2.9 billion in 1999-00 to make strategic investments through the SuperBuild Growth Fund. This represents a 54 per cent increase in capital investments this year and an initial government contribution to a \$20 billion infrastructure program. This will help secure more in private-sector funding through innovative, leading-edge financing techniques.

<b>Capital Outlook</b> (\$ Millions)		
<b>Program</b>	<b>Interim 1998-99</b>	<b>Plan 1999-00</b>
Universities and Colleges	69	742
Schools	224	50
Highways	832	936
Health	172	504
Environment and Natural Resources	64	254
Corrections & Courts	103	189
Other	409	208
<b>Total</b>	<b>1,873</b>	<b>2,883</b>

- ◆ The SuperBuild Growth Fund will spend \$742 million for universities and colleges in 1999-00 to support construction of new classrooms, labs and other facilities needed to accommodate a growing student population. This spending will also help post-secondary institutions use existing facilities more efficiently to accommodate growth in student demand.
- ◆ The Province will provide one-time capital funding of \$50 million to school boards to address health and safety issues.
- ◆ The Province's new education operating funding model includes a Pupil Accommodation Grant to pay for the costs of running, maintaining and constructing school buildings. Provincial funding will support approximately \$1.9 billion in new school construction, adding space for about 170,000 students.
- ◆ The SuperBuild Growth Fund has allocated approximately \$936 million in 1999-00 for expanding and improving provincial highways.
- ◆ Health capital expenditures of \$504 million in 1999-00 are focused primarily on modernizing and upgrading hospital facilities.

- ◆ The SuperBuild Growth Fund will provide \$254 million in 1999-00 for a variety of environmental and natural resource projects, including municipal water and sewer transition assistance, the creation of new parks, abandoned mine site rehabilitation, expanded fire fighting capacity in the North, rehabilitation of dams, and improvements to fish hatcheries.
- ◆ Capital expenditures of \$133 million for corrections reflect projects to modernize correctional facilities through retrofits, expansion and new jail construction. At the same time, the Province is spending \$56 million renovating, consolidating and building new courthouses across the province.
- ◆ Other capital expenditures will support a wide range of projects including information infrastructure, aboriginal communities and tourism attractions.

## Supporting Ontario's Charities, Communities and Health Care

The Government is taking significant steps to support Ontario's charities, communities and the health care sector. New legislation in 1998-99 dedicated all provincial revenue generated from charity casinos and slot machines at race tracks to support priority areas including health care, funding to charities and not-for-profit organizations, communities and the Trillium Foundation. To ensure that the public has full access to information on the use of revenues from charity gaming, the Province will report annually on these activities in the Ontario Budget, the Public Accounts and through the Ontario Lottery Corporation's Annual Report to the Legislature.

### Supporting Ontario's Charities, Communities and the Health Care Sector (\$ Millions)

	Interim 1998-99	Plan 1999-00
Transition Funding for Charities*	14	26
Trillium Foundation	10	100
Problem Gambling	3	10
Health	0	52
<b>Total</b>	<b>27</b>	<b>188</b>
* Reflects commitments to distribute funds from the \$40 million Advance Funding Program for Charities.		

- ◆ In advance of the opening of charity casinos and slot machines at race tracks, the Government has committed revenue to support charities and problem gambling programs.
- ◆ The Ontario Lottery Corporation (OLC) distributed \$14 million to charities through the Advance Funding Program for charities in 1998-99 and will distribute the remaining funding, estimated at \$26 million, in 1999-00.
  - This program is intended to assist charities through the transition from roving Monte Carlos to Ontario Trillium Foundation funding.
  - The OLC will report in their 1998-99 Annual Report on the specific charities that received funding.



- ◆ The Trillium Foundation has been guaranteed \$100 million per year to distribute to charitable and not-for-profit organizations across the province, beginning in 1999-00.
- ◆ Two per cent of slot machine gross revenue, with a guaranteed minimum of \$10 million, has been dedicated to support problem gambling treatment, awareness programs and research.
- ◆ The remaining \$52 million of provincial revenue generated from charity casinos and slot machines at race tracks has been dedicated to support health care priorities.

## **Eliminating the Unfunded Liability of the Teachers' Pension Plan**

On April 1 of this year, the Province made the final payment needed to eliminate the unfunded liability of the Teachers' Pension Plan (TPP). When this Government took office, the unfunded liability stood at \$8.4 billion, and the Province was obligated to make annual payments of about \$500 million until 2029 in order to eliminate the unfunded liability. Under PSAB accounting guidelines, these special payments were not included in Provincial expenditures, but were reflected in Provincial borrowing requirements and contributed to increased debt.

Last May the Province and the Ontario Teachers' Federation reached an agreement that provided for an early retirement opportunity to renew the teaching profession, as well as other benefit improvements. The agreement also allowed the gains realized in large part due to higher-than-expected investment returns to be used to eliminate the unfunded liability of the TPP. The Ontario Teachers' Pension Plan Board contributed to the benefit improvements and the elimination of the unfunded liability through active investment management. In 1998 the performance of the TPP put it in the top 25 per cent of all Canadian pension plans.

## Medium Term Fiscal Outlook

Ontario is on track to meet the final Balanced Budget Plan target to eliminate the deficit in 2000-01. The deficit will fall from \$2.1 billion in 1999-00 to zero in 2000-01.

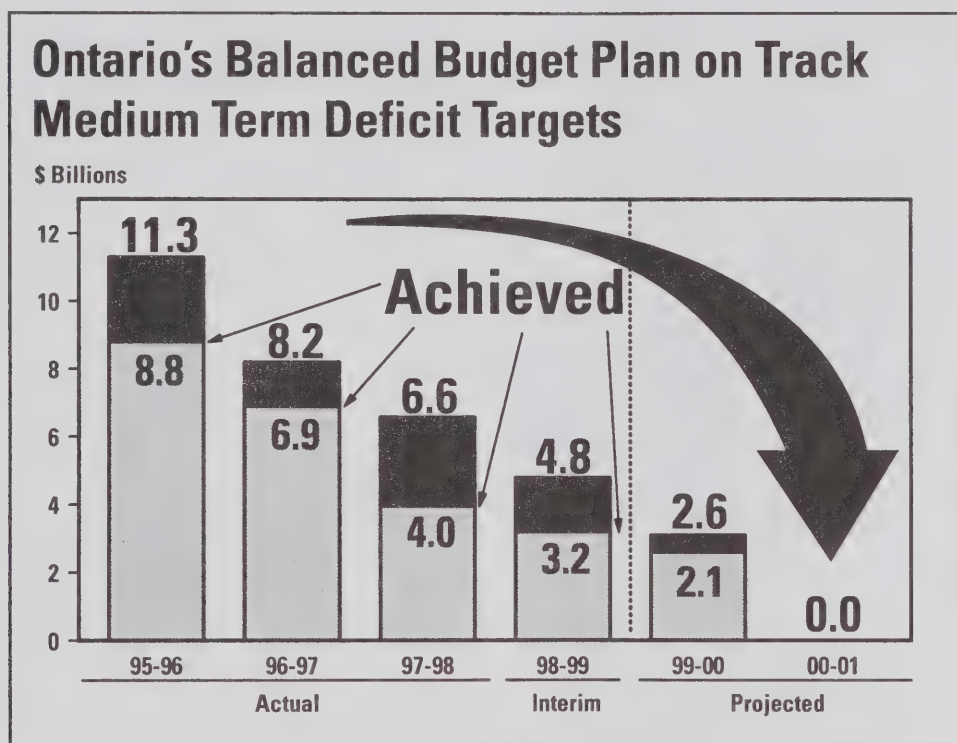
<b>Medium Term Fiscal Outlook</b>			
<b>(\$ Billions)</b>			
	<b>Interim 1998-99</b>	<b>Plan 1999-00</b>	<b>Outlook 2000-01</b>
<b>Revenue</b>	54.9	58.1	58.9
<b>Expenditure</b>			
Programs	45.6	46.7	46.9
Restructuring and Other One-time Charges*	1.5	0.3	-
Total Programs	47.1	47.0	46.9
Capital	1.9	2.9	1.7
Public Debt Interest			
Provincial	9.1	9.3	9.3
Ontario Hydro Successor Companies**	-	0.5	0.5
Total Expenditure	58.0	59.7	58.4
Reserve	-	0.5	0.5
<b>Deficit</b>	<b>3.2</b>	<b>2.1</b>	<b>0.0</b>
Note: Numbers may not add due to rounding			
* 1998-99 includes \$220 million in Restructuring and Other Charges, and major one-time spending of \$733 million in the Ministry of Health, \$250 million for the Ontario Innovation Trust, \$180 million for the Special Circumstances Fund, and \$159 million for non-Ministry of Health Year 2000 computer system changes. Major one-time spending in 1999-00 includes \$251 million for Year 2000 computer system changes.			
** Debt service costs in 1999-00 and 2000-01 related to the Province's equity ownership of Ontario Hydro successor companies, are offset by increased Income from Government Enterprises revenue, which reflects the net income of these corporations.			

- ◆ With a balanced budget in 2000-01, the \$11.3 billion potential deficit the Government faced when it assumed office in June of 1995 will be completely eliminated.
- ◆ The 2000-01 outlook includes a \$500 million reserve designed to protect the fiscal plan against unexpected and adverse changes in the economic and fiscal outlook. If the reserve is not needed, it will be applied to debt reduction.

# Ontario's Fiscal Record

## Deficit Target Overachieved – Four Consecutive Years

Solid fiscal performance has allowed the Province to achieve deficits significantly below the Balanced Budget Plan targets in each of the last four years. Due to improved fiscal performance, the 1999-00 deficit target of \$2.6 billion will be cut by \$0.5 billion and set at \$2.1 billion. Ontario is currently on track to achieve the final year of the Balanced Budget Plan with a balanced budget in 2000-01.



- ◆ 1998-99 was the fourth consecutive year in which the Balanced Budget Plan deficit target was overachieved.
- When the Government assumed office in June of 1995, Ontario faced a potential deficit of \$11.3 billion. Moving quickly to restore the Province's finances, the Government set a \$9.3 billion deficit target for 1995-96.
- The actual 1995-96 deficit of \$8.8 billion was \$508 million lower than the Balanced Budget Plan target, and in 1996-97, Ontario recorded a deficit of \$6.9 billion, \$1,275 million below the Budget target of \$8.2 billion.

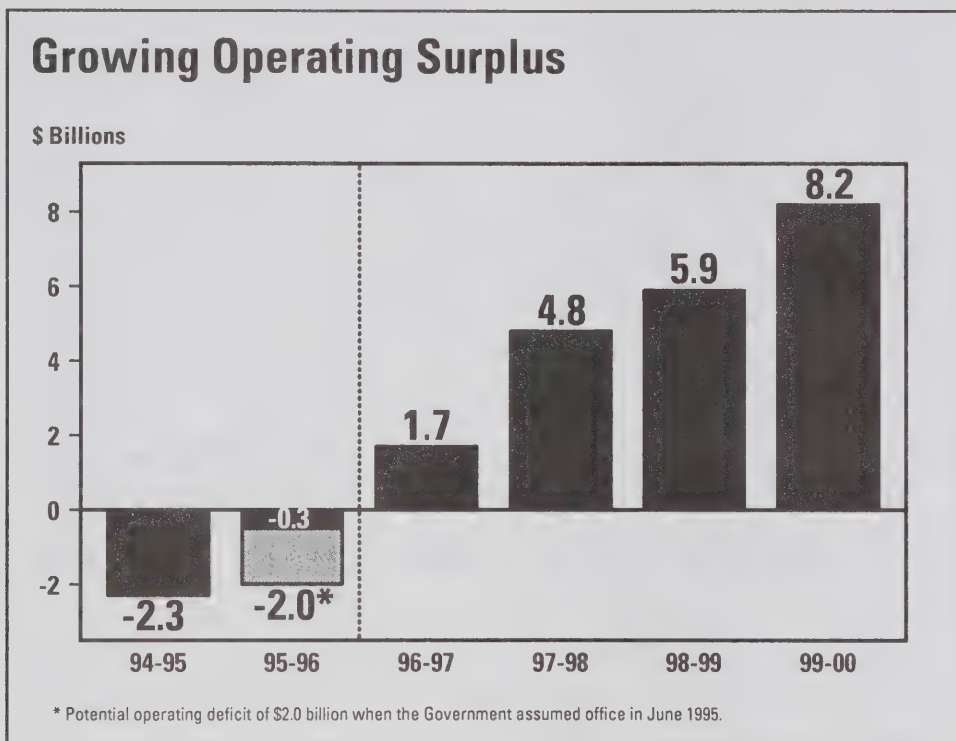


- The 1997-98 deficit of \$4.0 billion was \$2,614 million lower than the \$6.6 billion target set out in the 1997 Budget.
- At \$3.2 billion, the interim 1998-99 deficit is \$1,063 million below the 1998 Budget target of \$4.2 billion, and \$1.6 billion lower than the original Balanced Budget Plan target of \$4.8 billion for 1998-99.
- ◆ Due to improved fiscal performance, the 1999-00 deficit target of \$2.6 billion will be cut by \$0.5 billion and set at \$2.1 billion.

## Growing Operating Surplus

Ontario's fiscal performance is showing solid progress. When the budget is balanced in 2000-01, total spending will equal revenue. As the Government moves toward a balanced budget, the improved fiscal environment is reflected in a growing operating surplus.

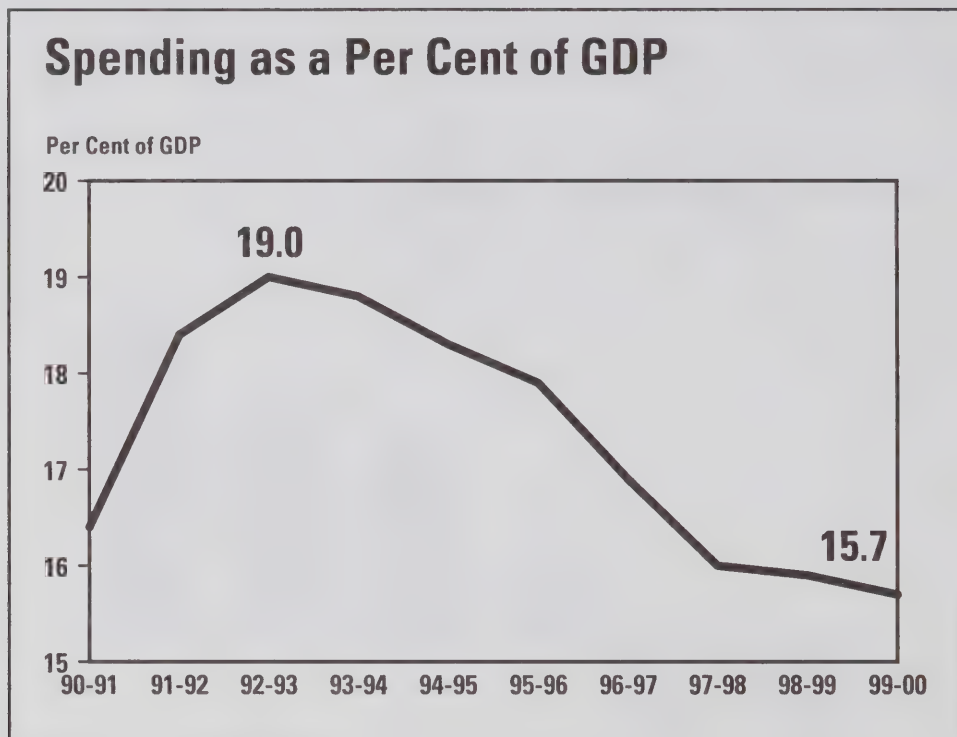
The operating balance is an important fiscal measure also used by the federal government. It represents the difference between government revenue and total spending on programs and capital, not including public debt interest costs. With a growing operating surplus, the Government is continuing to reduce borrowing needed to pay interest costs on the public debt.



- ◆ When the Government assumed office in June of 1995, the potential operating deficit was \$2.0 billion. In its first full year of office, the Government recorded an operating surplus of \$1.7 billion for 1996-97.
- ◆ The operating surplus has grown each year, increasing to \$5.9 billion in 1998-99, and is forecast at \$8.2 billion for 1999-00.

## Reducing Provincial Spending as a Share of the Economy

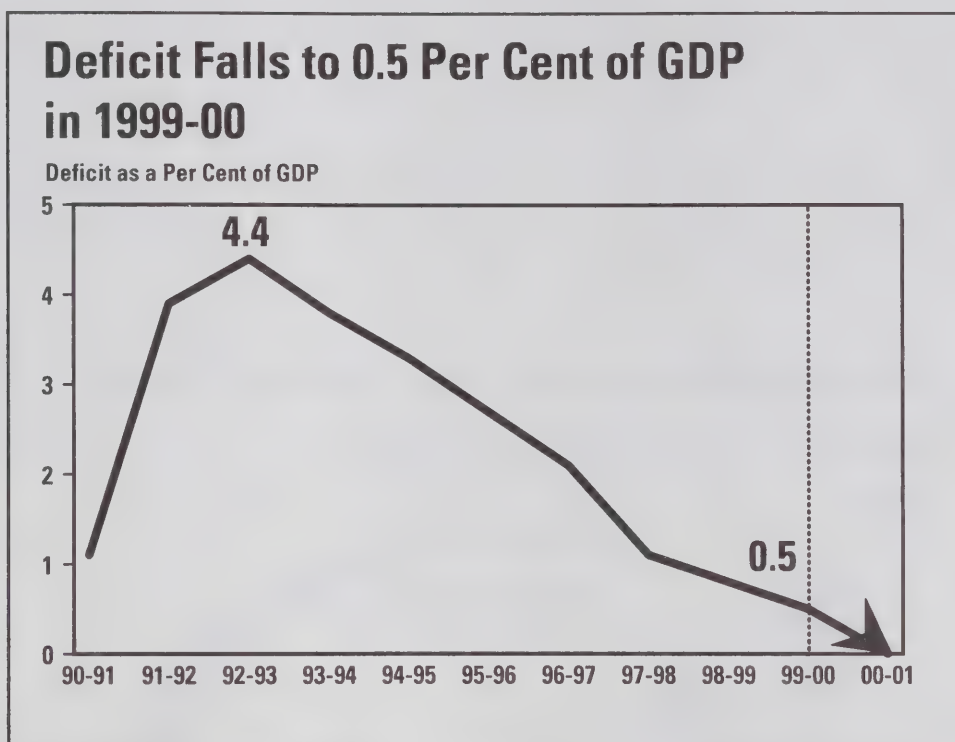
Provincial government spending as a per cent of Ontario's Gross Domestic Product (GDP) increased rapidly in the early 1990s. As a result of the Government's spending policy since 1995, which focuses on priority areas such as health care and education while promoting improvements in the efficiency of government services, spending as a per cent of GDP will be reduced to 15.7 per cent in 1999-00.



- ◆ With rapidly increasing spending and a weak economy, Provincial spending as a share of the economy rose to 19.0 per cent in 1992-93.
- ◆ As a result of this Government's policies, spending as a per cent of GDP will be reduced to 15.7 per cent in 1999-00.
- ◆ With continued economic growth and prudent expenditure policies, spending as a per cent of GDP will continue to decline.

## Deficit as a Per Cent of GDP Falling

By controlling spending and cutting taxes to promote economic growth, the Government has made progress toward restoring Ontario's finances and improving the Province's business climate. In 1998-99, the Provincial deficit dropped below one per cent of GDP for the first time this decade.



- ◆ Deficits in excess of \$10 billion, combined with a shrinking economy, pushed Ontario's deficit to 4.4 per cent of provincial GDP by 1992-93.
- ◆ The deficit is forecast at 0.5 per cent of GDP in 1999-00, falling to zero in 2000-01 when the budget is balanced.

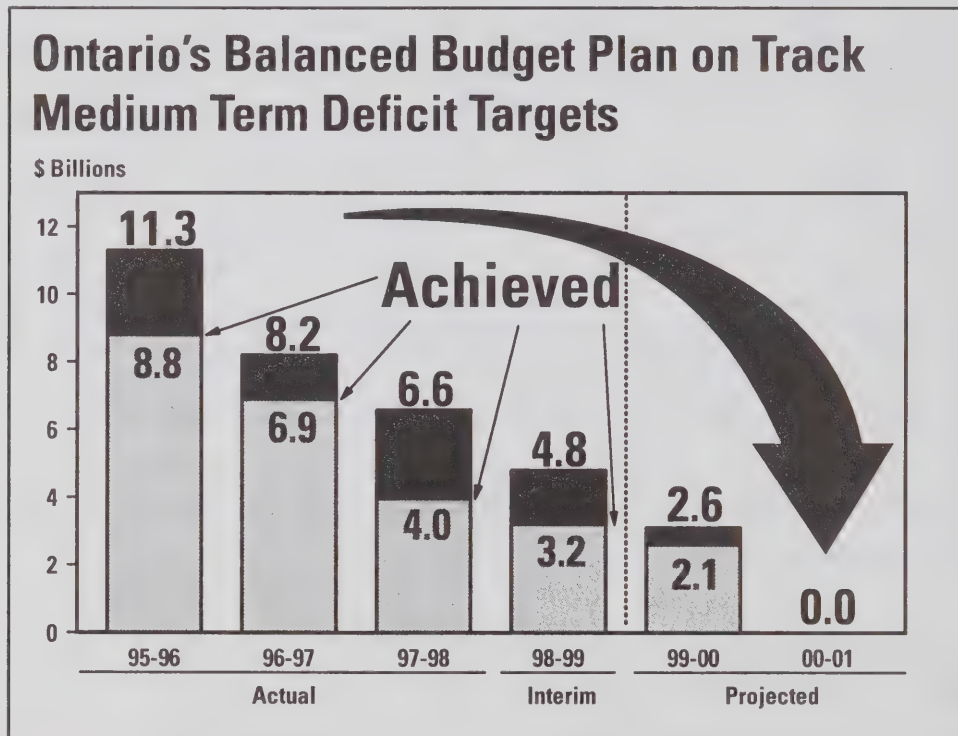


## Conclusion

With the 1999 Budget, the deficit will be cut to \$2.1 billion, a reduction of \$9.2 billion or more than 80 per cent from the \$11.3 billion potential deficit facing the Government when it assumed office.

The Balanced Budget Plan target for 2000-01 is zero – the budget will be balanced. Ontario will enter the new millennium with its fiscal position restored.

With a balanced budget, lower taxes and a growing economy, Ontarians can be assured that priority provincial programs and services are affordable and will be available when they are needed now and in the years to come.



# **PAPER B**

## **Appendices**

Financial Tables and Graphs

**Statement of Financial Transactions**  
 (\$ Millions)
**Table B1**

	<b>Actual 1995-96</b>	<b>Actual 1996-97</b>	<b>Actual 1997-98</b>	<b>Interim 1998-99</b>	<b>Plan 1999-00</b>
<b>Revenue</b>	49,473	49,450	52,518	54,859	58,150
<b>Expenditure</b>					
Programs	45,309	42,831	43,637	46,855	47,025
Restructuring and Other Charges	854	2,180	1,595	220	-
Total Program Expenditure	46,163	45,011	45,232	47,075	47,025
Capital	3,635	2,737	2,523	1,873	2,883
Public Debt Interest					
Provincial	8,475	8,607	8,729	9,072	9,298
Ontario Hydro Successor Companies*	-	-	-	-	520
Total Expenditure	58,273	56,355	56,484	58,020	59,726
Reserve	-	-	-	-	500
<b>Deficit</b>	<b>8,800</b>	<b>6,905</b>	<b>3,966</b>	<b>3,161</b>	<b>2,076</b>

\* Debt service costs in 1999-00 related to the Province's equity ownership of Ontario Hydro successor companies, are offset by increased Income from Government Enterprises revenue, which reflects the net income of these corporations.

**Ontario Opportunities Fund**  
 (\$ Millions)
**Table B2**

	<b>1998-99</b>
Provincial Purpose Debt at April 1, 1998	105,474
Add: Borrowing requirements to finance projected deficit of \$4,224 million and loans and investments in agencies	7,526
Decrease in liquid reserves	(2,897)
Increase in debt:	4,629
Debt before Ontario Opportunities Fund	110,103
Less:	
<b>Ontario Opportunities Fund</b>	
Overachievement in 1998-99 deficit target (including contributions from Ontarians*)	1,063
Fund Balance Applied to Debt Reduction	(1,063)
Provincial Purpose Debt at March 31, 1999	109,040

\* Contributions from Ontarians amounted to \$164,365 in 1998-99.

Revenue (\$ Millions)	Table B3				
	Actual 1995-96	Actual 1996-97	Actual 1997-98	Interim 1998-99	Plan 1999-00
<b>Taxation Revenue</b>					
Personal Income Tax	15,633	16,357	16,293	16,750	15,670
Retail Sales Tax	9,424	9,964	10,843	11,525	12,110
Corporations Tax	5,174	5,852	7,456	7,435	7,820
Employer Health Tax	2,695	2,772	2,851	2,880	2,990
Gasoline Tax	1,944	1,951	2,028	2,077	2,155
Fuel Tax	500	540	563	590	595
Tobacco Tax	337	356	425	470	470
Land Transfer Tax	342	452	565	497	480
Mining Profits Tax	71	54	40	27	30
Race Tracks Tax	92	46	4	5	5
Preferred Share Dividends Tax	65	73	60	33	35
Other Taxation**	97	113	141	250	225
	<b>36,374</b>	<b>38,530</b>	<b>41,269</b>	<b>42,539</b>	<b>42,585</b>
<b>Government of Canada</b>					
Canada Health and Social Transfer*	6,328	4,814	3,970	3,579	3,727
Increase in CHST Allocation	-	-	-	-	190
CHST Health Supplement	-	-	-	-	755
Fiscal Stabilization	367	-	-	-	-
National Training Act	55	37	-	-	-
Bilingualism Development	62	44	49	55	55
Young Offenders	61	59	59	58	58
Employment Assistance for People with Disabilities	63	65	53	65	65
Canada-Ontario Infrastructure Works	350	142	116	80	29
Social Housing	384	341	387	353	370
Other	210	276	464	318	307
	<b>7,880</b>	<b>5,778</b>	<b>5,098</b>	<b>4,508</b>	<b>5,556</b>
<b>Income from Government Enterprises</b>					
Ontario Lottery Corporation	651	654	714	676	930
Liquor Control Board of Ontario	667	701	745	785	830
Ontario Casino Corporation	422	594	771	997	995
Ontario Hydro Successor Companies	-	-	-	-	527
Other	(10)	10	61	(50)	(35)
	<b>1,730</b>	<b>1,959</b>	<b>2,291</b>	<b>2,408</b>	<b>3,247</b>
<b>Other Revenue</b>					
Vehicle and Driver Registration Fees	736	816	820	850	880
Other Fees and Licences**	573	560	548	600	625
Liquor Licence Board of Ontario Revenues	530	520	506	510	515
Royalties	263	264	286	297	225
Sales and Rentals	497	543	582	636	2,230
Fines and Penalties	143	157	174	59	57
Local Services Realignment – Reimbursement of Expenditure	-	-	519	2,104	1,794
Miscellaneous	747	323	425	348	436
	<b>3,489</b>	<b>3,183</b>	<b>3,860</b>	<b>5,404</b>	<b>6,762</b>
<b>Total Revenue</b>	<b>49,473</b>	<b>49,450</b>	<b>52,518</b>	<b>54,859</b>	<b>58,150</b>

\* Includes Established Programs Financing and Canada Assistance Plan revenue in 1995-96.

\*\* Prior years restated to reflect introduction of new Estate Administration Tax.



**Operating Expenditure**  
(\$ Millions)**Table B4**

<b>Ministry</b>	<b>Actual 1995-96</b>	<b>Actual 1996-97</b>	<b>Actual 1997-98</b>	<b>Interim 1998-99</b>	<b>Plan 1999-00</b>
Agriculture, Food and Rural Affairs	263	324	306	317	365
Farm Tax Rebate	157	150	158	-	-
Attorney General	1,085	638	681	721	816
Board of Internal Economy	206	124	113	118	121
Citizenship, Culture and Recreation	363	302	282	344	393
Community and Social Services	8,816	7,965	8,047	7,707	7,677
Consumer and Commercial Relations	140	123	92	134	126
Economic Development, Trade and Tourism	385	245	194	157	175
Education and Training*	8,390	7,825	7,701	10,997	11,197
School Board Transition – Restructuring	-	-	224	-	-
Teachers' Pension Plan (TPP)	812	933	1,443	67	(85)
Energy, Science and Technology	13	11	69	334	146
Environment	226	146	142	160	165
Executive Offices	13	13	14	18	20
Finance - Own Account	701	435	690	833	731
Public Debt Interest					
Provincial	8,475	8,607	8,729	9,072	9,298
Ontario Hydro Successor Companies					520
Community Reinvestment Fund	-	-	169	678	543
Health	17,607	17,760	18,284	18,925	20,173
Health Care Restructuring	-	970	532	193	-
Major One-time Health Care Costs	-	-	113	733	-
Intergovernmental Affairs	5	4	5	4	4
Labour	135	103	117	107	95
Management Board Secretariat	554	712	352	375	432
Public Service/OPSEU Pension Plan	685	94	(86)	(208)	(223)
Contingency Fund	-	-	-	-	694
OPS Employee Severance	400	438	(159)	-	-
Special Circumstances Fund	-	-	-	180	-
Municipal Affairs and Housing	2,421	2,456	2,395	1,600	1,546
Municipal Capital and Operating Restructuring Fund	-	150	23	-	-
Municipal Restructuring Fund	-	-	71	-	-
Native Affairs Secretariat	16	17	10	10	12
Natural Resources	519	417	405	521	364
Northern Development and Mines	66	52	62	82	127
Office of Francophone Affairs	2	2	2	3	3
Office Responsible for Women's Issues	18	14	18	21	26
Solicitor General and Correctional Services	1,111	1,159	1,175	1,290	1,243
Transportation	1,054	879	709	627	539
Restructuring/ Municipal Capital and Operating Restructuring Fund	-	550	50	(17)	-
TTC Five Year Capital Transfer and Ottawa-Carleton Regional Transit Commission Transit Bus Subsidy Agreement	-	-	829	44	-
Year-End Savings	-	-	-	-	(400)
<b>Total Operating Expenditure</b>	<b>54,638</b>	<b>53,618</b>	<b>53,961</b>	<b>56,147</b>	<b>56,843</b>

\* Includes increase in School Board Operating Grants to reflect reduction in 1999 residential education property taxes.

**Capital Expenditure**  
 (\$ Millions)

Table B5

Ministry	Actual 1995-96	Actual 1996-97	Actual 1997-98	Interim 1998-99	Plan 1999-00
Agriculture, Food and Rural Affairs	5	-	1	-	-
Attorney General	-	20	47	73	56
Citizenship, Culture and Recreation	29	9	7	6	16
Community and Social Services	14	116	51	30	22
Economic Development, Trade and Tourism	113	11	3	2	2
Education and Training	559	199	380	299	796
Energy, Science and Technology	-	-	-	23	17
Environment	238	225	98	19	23
Water Protection Fund	-	-	-	15	185
Finance	1	18	7	7	6
Health	168	175	106	172	504
Management Board Secretariat	272	152	80	11	16
Municipal Affairs and Housing	628	313	152	68	-
Native Affairs Secretariat	9	13	11	10	12
Natural Resources	47	33	209	30	46
Northern Development and Mines	163	168	173	176	225
Solicitor General and Correctional Services	2	6	12	30	133
Transportation	1,387	1,279	1,186	902	824
<b>Total Capital Expenditure</b>	<b>3,635</b>	<b>2,737</b>	<b>2,523</b>	<b>1,873</b>	<b>2,883</b>

**Ten-Year Review of Selected Financial and Economic Statistics**  
 (\$ Millions)

	Modified Cash Basis		
	1990-91	1991-92	1992-93
<b>Financial Transactions</b>			
Revenue	42,892	40,753	41,807
Expenditure			
Programs	38,924	43,613	45,350
Restructuring and Other Charges	-	-	-
Total Program Expenditure	38,924	43,613	45,350
Capital	3,221	3,874	3,592
Public Debt Interest			
Provincial	3,776	4,196	5,293
Ontario Hydro Successor Companies	-	-	-
Total Expenditure	45,921	51,683	54,235
Reserve	-	-	-
<b>Deficit/(Surplus)</b>	<b>3,029</b>	<b>10,930</b>	<b>12,428</b>
<b>Provincial Purpose Debt</b>	<b>42,257</b>	<b>53,083</b>	<b>68,607</b>
Gross Domestic Product (GDP) at Market Prices	280,604	280,853	285,313
Personal Income	236,865	243,485	252,288
Population - July (000s)	10,300	10,428	10,570
Total Debt per Capita (dollars)	4,103	5,090	6,491
Personal Income per Capita (dollars)	22,997	23,349	23,868
Total Expenditure as a per cent of GDP	16.4	18.4	19.0
Public Debt Interest as a per cent of Revenue	8.8	10.3	12.7
Provincial Purpose Debt as a per cent of GDP	15.1	18.9	24.0
Cumulative Net Borrowing for Ontario Hydro			
CAD	-	-	-
U.S.	5,049	4,185	3,969
C.P.P.	2,748	2,748	2,748
Contingent Liability (mainly Ontario Hydro)	26,009	30,369	34,657

\* Debt service costs in 1999-00 related to the Province's equity ownership of Ontario Hydro successor companies, are offset by increased Income from Government Enterprises revenue, which reflects the net income of these corporations.

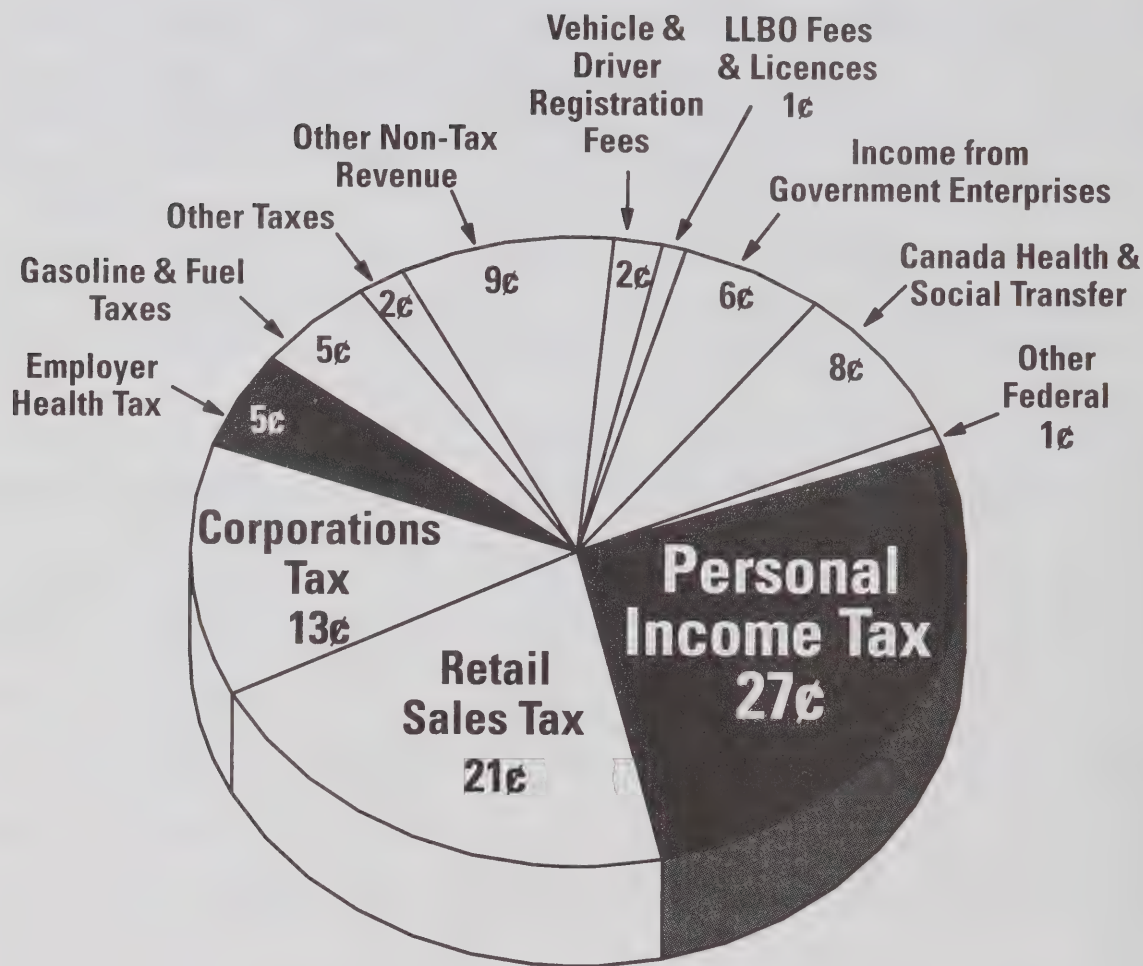
\*\* Debt increased in 1999-00 by the Province's investment of \$8.9 billion in Ontario Hydro successor companies.

Table B6

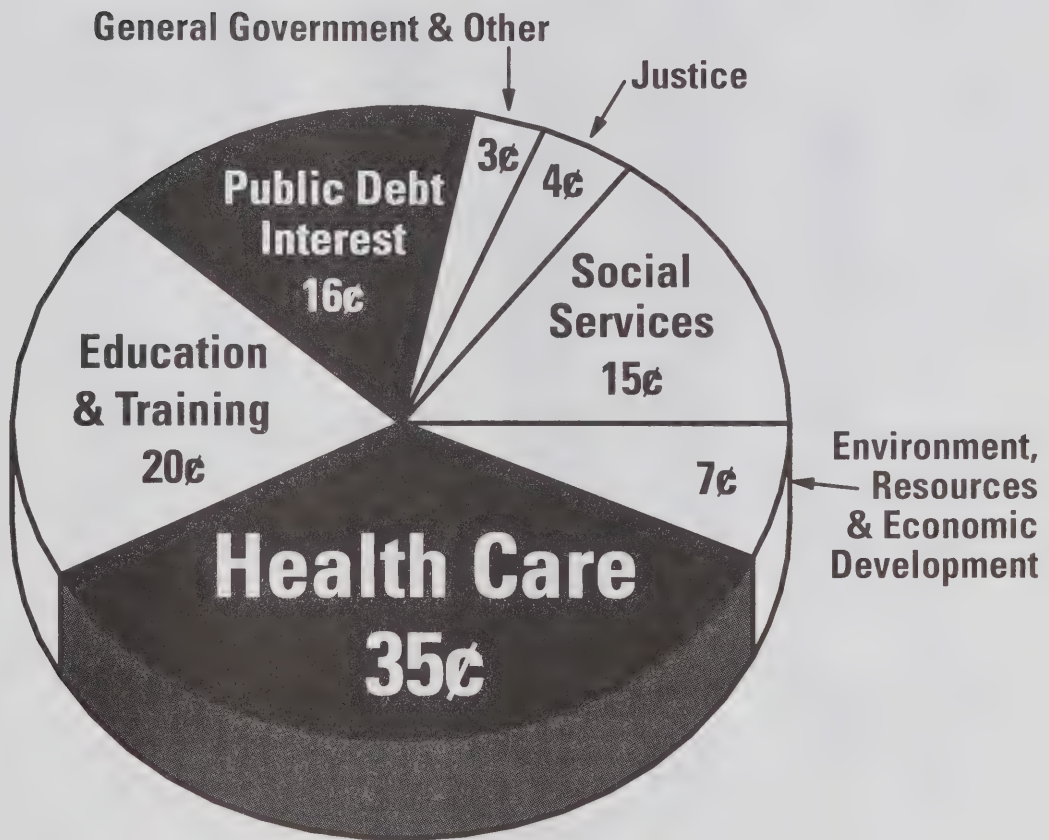
PSAB Basis					Interim	Plan
1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
43,674	46,039	49,473	49,450	52,518	54,859	58,150
44,195	44,505	45,309	42,831	43,637	46,855	47,025
-	-	854	2,180	1,595	220	-
44,195	44,505	46,163	45,011	45,232	47,075	47,025
3,552	3,831	3,635	2,737	2,523	1,873	2,883
7,129	7,832	8,475	8,607	8,729	9,072	9,298
-	-	-	-	-	-	520*
54,876	56,168	58,273	56,355	56,484	58,020	59,726
-	-	-	-	-	-	500
<b>11,202</b>	<b>10,129</b>	<b>8,800</b>	<b>6,905</b>	<b>3,966</b>	<b>3,161</b>	<b>2,076</b>
<b>79,439</b>	<b>88,580</b>	<b>101,396</b>	<b>101,511</b>	<b>105,474</b>	<b>109,040</b>	<b>121,216**</b>
291,844	307,528	326,051	334,292	351,989	363,946	379,739
255,078	258,494	268,914	274,224	284,131	295,921	308,646
10,690	10,828	10,965	11,101	11,264	11,414	11,549
7,431	8,181	9,247	9,144	9,364	9,553	10,496
23,861	23,873	24,525	24,703	25,225	25,926	26,725
18.8	18.3	17.9	16.9	16.0	15.9	15.7
16.3	17.0	17.1	17.4	16.6	16.5	16.9
27.2	28.8	31.1	30.4	30.0	30.0	31.9
-	-	-	-	-	1,500	N/A
1,789	1,087	1,060	392	138	-	N/A
2,748	2,748	2,748	2,748	2,748	2,748	N/A
34,008	33,782	31,590	31,786	30,675	29,036	N/A



# The Budget Dollar: Revenue 1999-2000

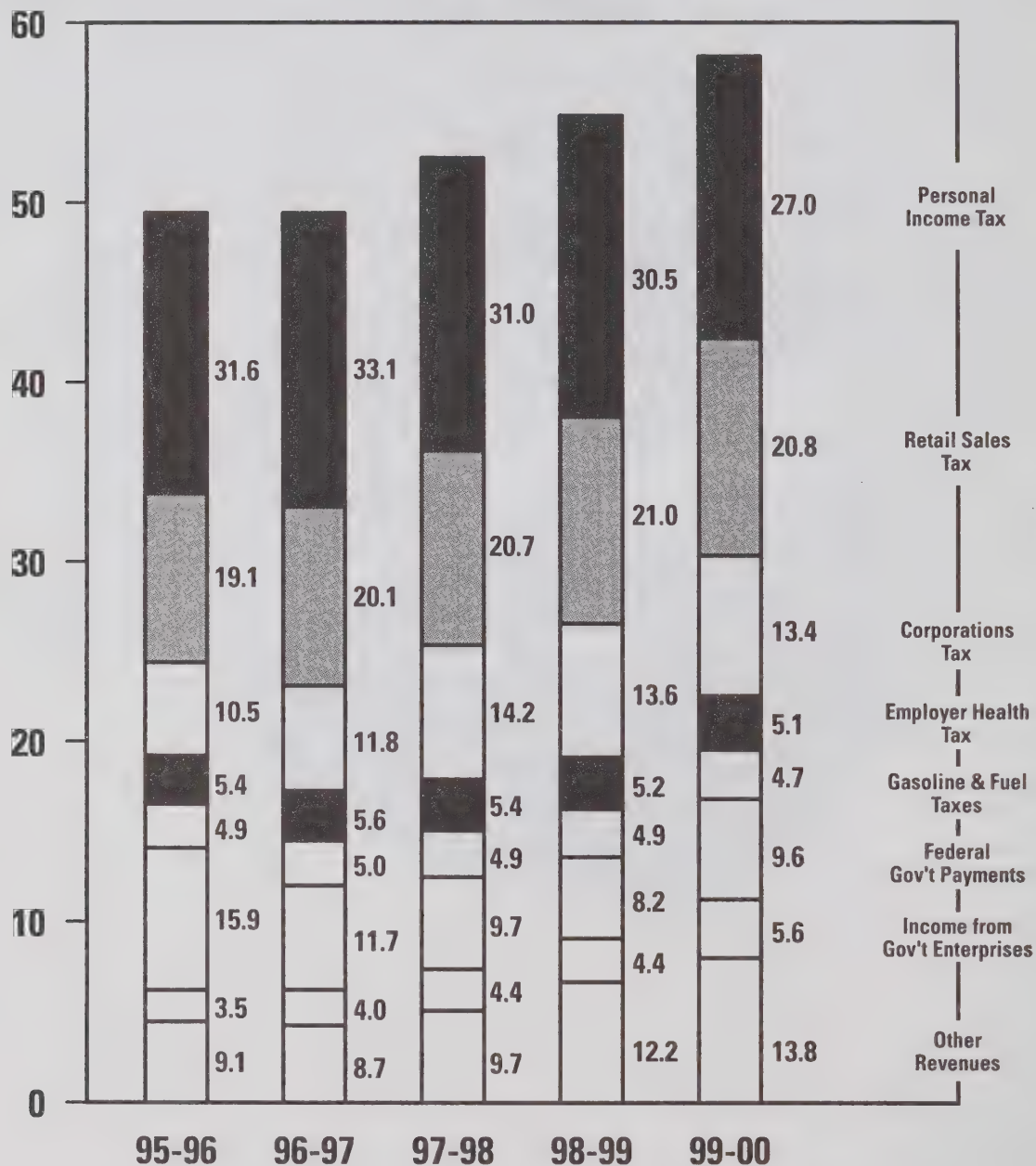


# The Budget Dollar: Total Expenditure 1999-2000



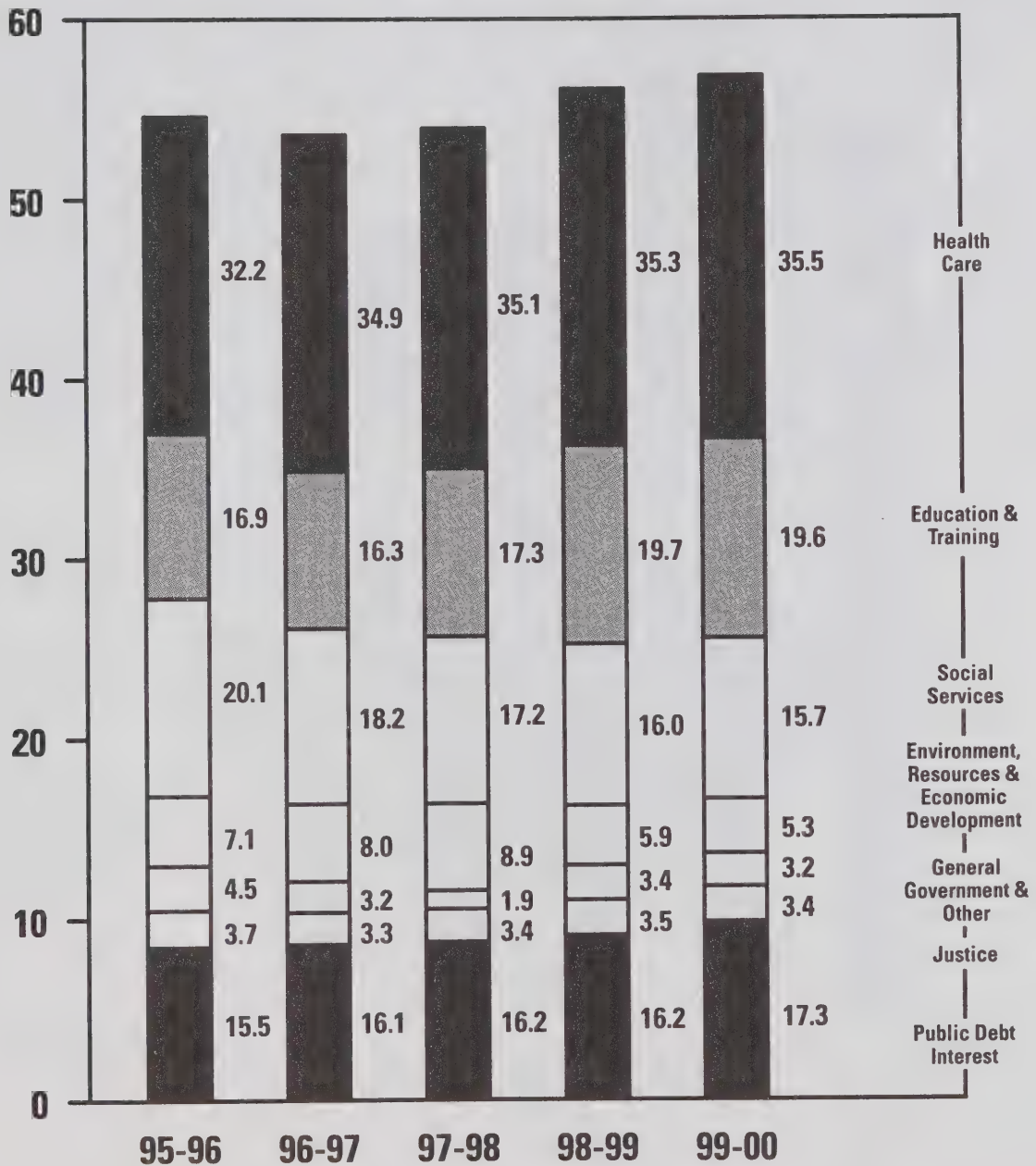
## Revenue Sources by Category Per Cent of Total 1995-96 to 1999-00

\$ Billions



## Operating Expenditure by Category Per Cent of Total 1995-96 to 1999-00

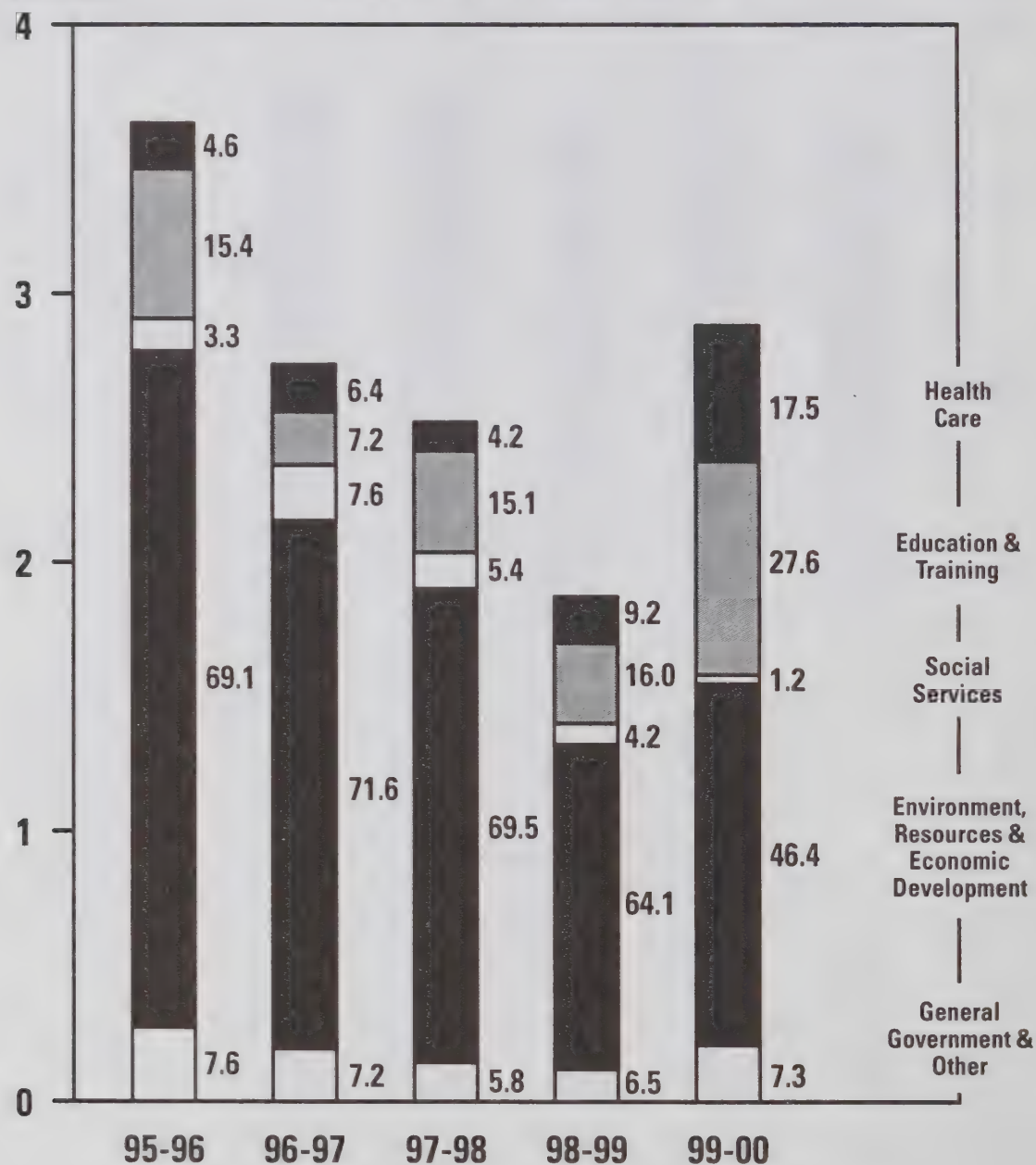
\$ Billions



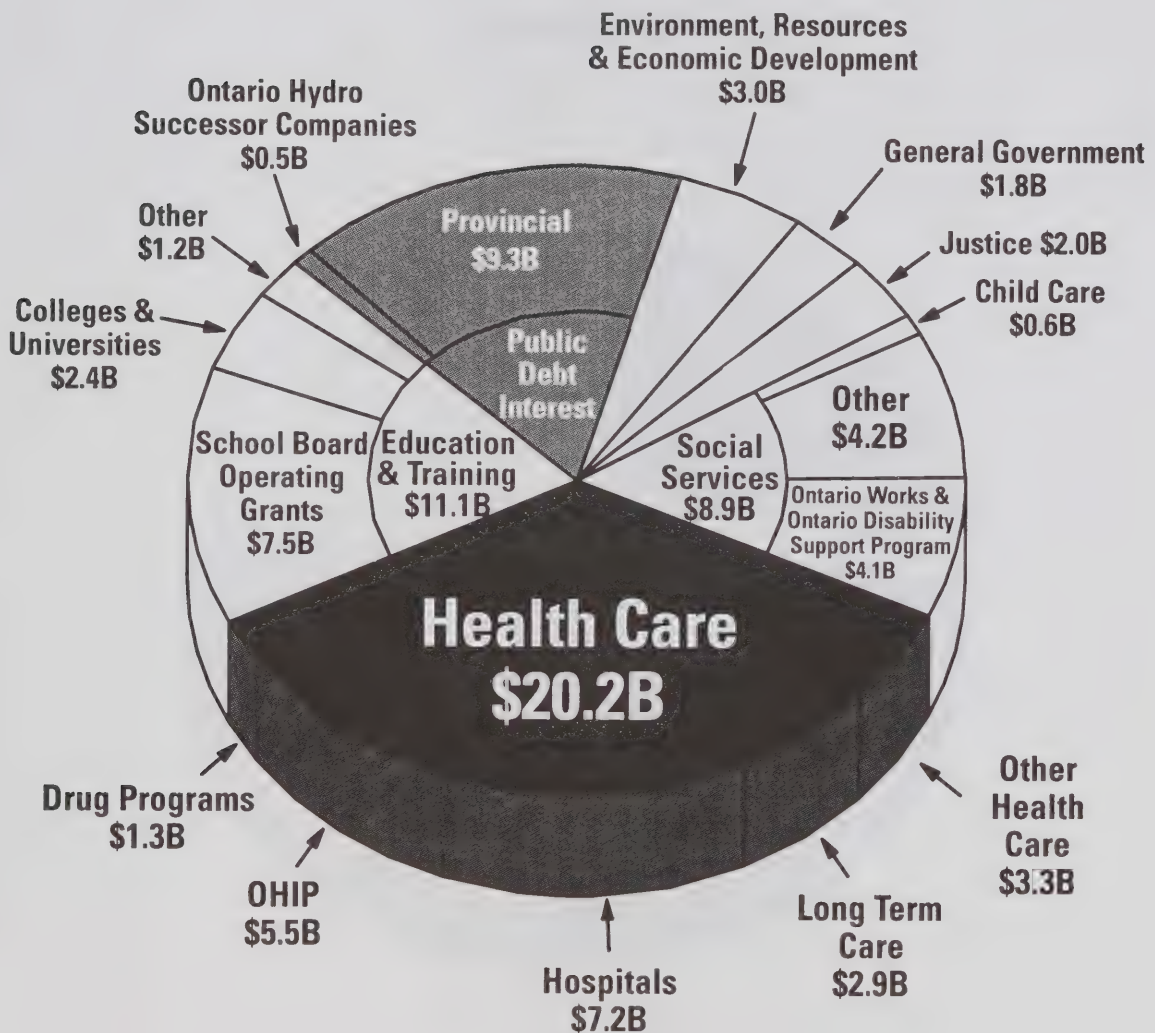


## Capital Expenditure by Category Per Cent of Total 1995-96 to 1999-00

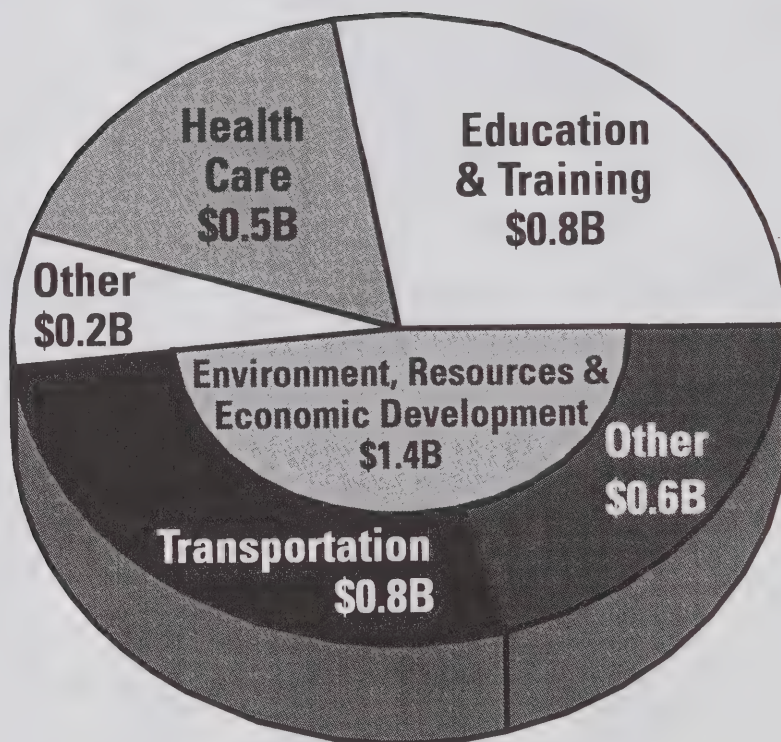
\$ Billions



# 1999-2000 Operating Expenditure by Sector (\$ Billions)



# 1999-2000 Capital Expenditure by Sector (\$ Billions)



# **PAPER C**

## **Details of Revenue Measures**





## **Ontario's Tax Cuts: Reducing Taxes for People**

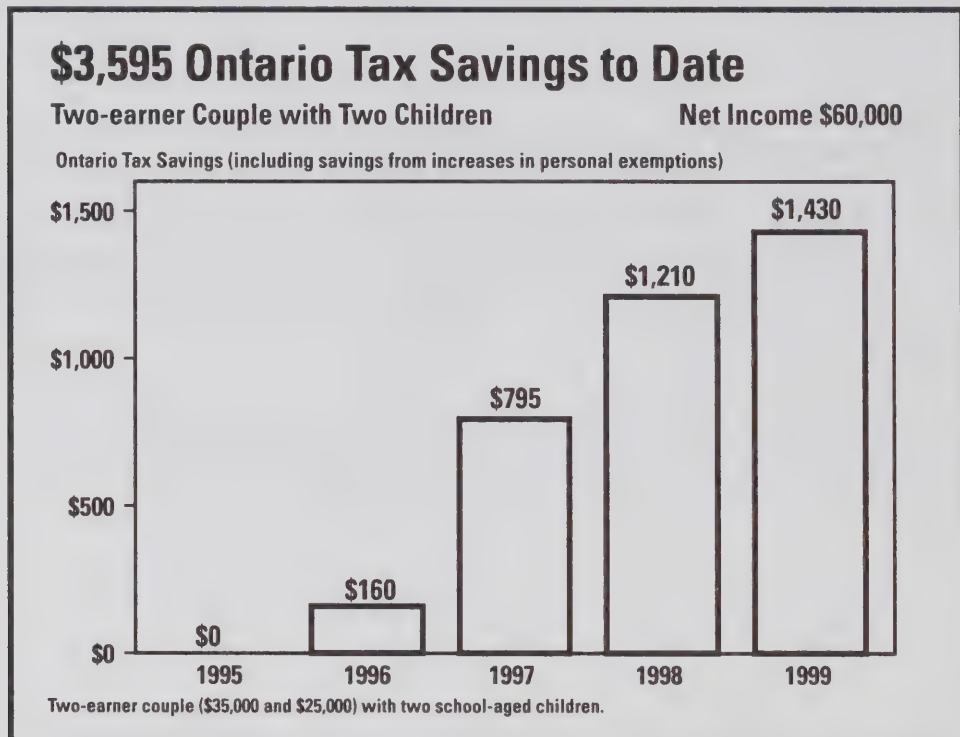
In 1995, Ontario taxpayers faced an Ontario personal income tax rate of 58 per cent of basic federal tax. Since that time, the Ontario Government has kept its promise and reduced that rate to 40.5 per cent of basic federal tax. With the income tax cut announced in this Budget, if approved by the Legislature, Ontario's income tax rate will be 38.5 per cent of basic federal tax, starting July 1, 1999.

### **Ontario's Income Tax Cuts Completed to Date**

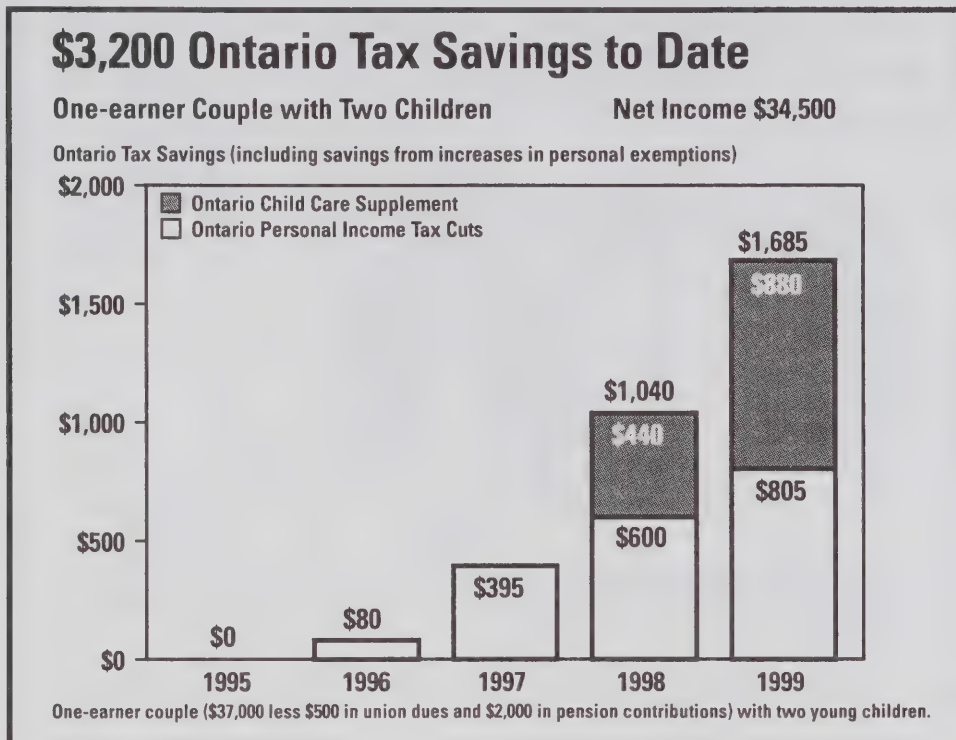
As a result of Ontario's first round of personal income tax cuts—fully implemented on July 1, 1998—more than 90 per cent of Ontario taxpayers have experienced a personal income tax cut of at least 30 per cent. Every Ontario taxpayer earning less than \$60,000 has received a 30 per cent tax cut or greater.

Ontario announced further tax savings in February of 1999 when it increased personal exemptions. This move has augmented taxpayers' savings from the Ontario 30 per cent rate cut.

The following two charts present the savings that Ontario's tax cuts completed to date have provided to Ontario individuals and families. The first chart shows that a two-earner couple with two children, earning a total of \$60,000, will pay \$1,430 less in Ontario income tax in 1999 as a result of Ontario's income tax cuts. This family will have saved a total of \$3,595 over the four years (1996–99) since the Ontario tax cuts started.



The following example shows the savings from the tax cuts completed to date for a one-earner couple with a stay-at-home parent caring for small children. This family, with net income of \$34,500, will save \$1,685 in 1999 as a result of Ontario's income tax cuts and the Ontario Child Care Supplement for Working Families. In total, this family will have saved \$3,200: \$1,880 in Ontario income tax, plus child care supplements of \$1,320, for the four years from 1996 through 1999.

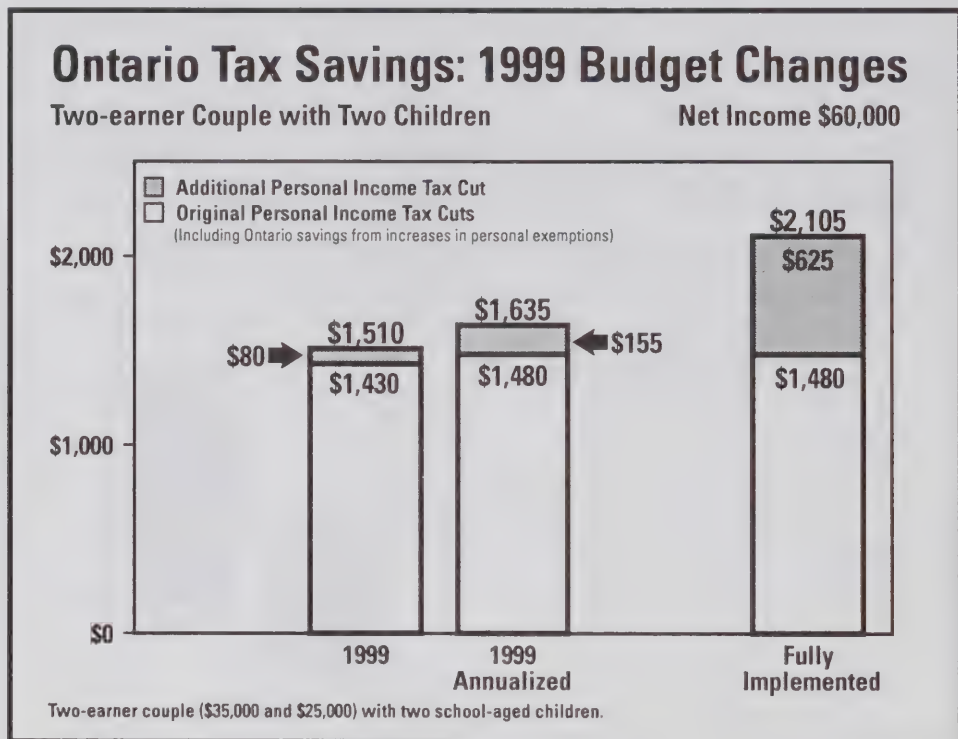


## Ontario's Income Tax Cuts Announced in This Budget

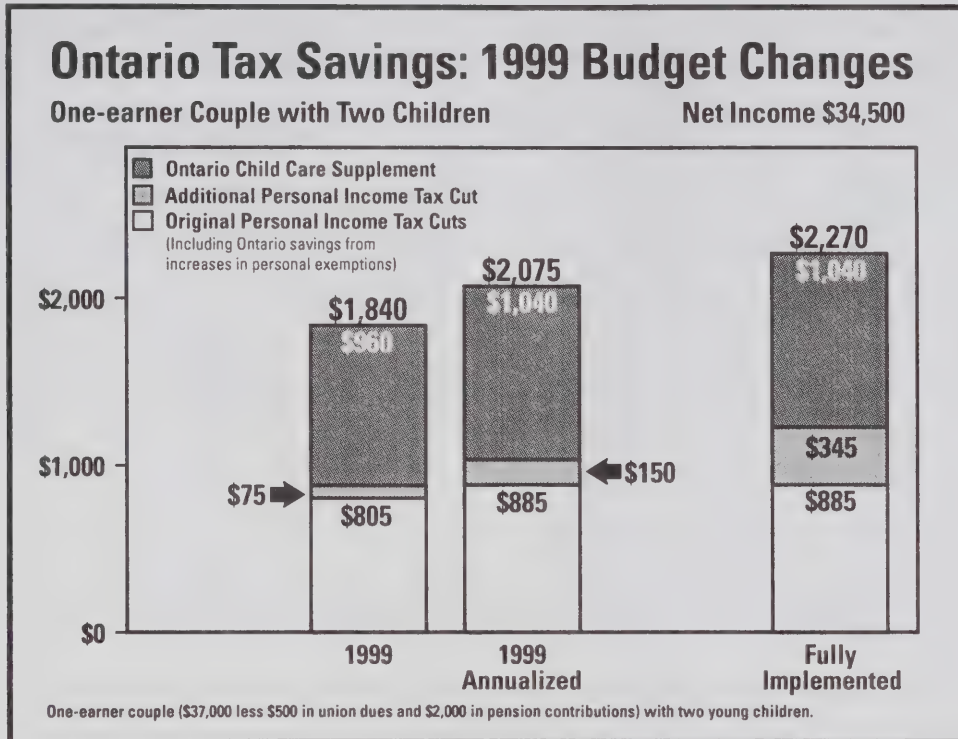
Another 20 per cent cut in Ontario personal income taxes is promised in this Budget. As a down payment, this Budget proposes a five-per-cent reduction in the Ontario personal income tax rate, bringing that rate down to 38.5 per cent of basic federal tax, beginning July 1, 1999.



The following two charts show the impact of the tax cuts announced in this Budget on the two families in the above charts. The two-earner family would save an additional \$80 in 1999, and a total of \$2,105 per year when the tax cuts are fully implemented.



The one-earner family (below) would save an additional \$75 in personal income tax in 1999. The enriched Ontario Child Care Supplement for Working Families would give this family an additional \$960 in spending money in 1999, increasing to \$1,040 in subsequent years. Ontario income tax savings for this family, including the child care supplement, would total \$2,270 per year when the tax cuts are fully implemented.



As a result of these personal income tax reductions since 1995, Ontario has improved its tax-competitive position vis-a-vis other provinces and jurisdictions. In 1995, four provinces had a lower general income tax rate than Ontario. After the changes proposed in this Budget, Ontario would continue to have the lowest general rate in Canada. Ontario had the second-highest top marginal rate in the country in 1995. With the proposed changes, it would continue to be the second lowest in Canada.

## Reducing Residential Education Taxes

Between 1985 and 1995, school boards raised education property tax rates by over 60 per cent. During that period, school board tax revenues increased by over 120 per cent, while enrolment increased by only about 16 per cent.

<b>Education Tax Increases 1985–95</b>		
<b>Year</b>	<b>Average Education Mill Rate Change</b>	<b>Sum of Annual Increases</b>
<b>1985</b>	7.4%	
<b>1986</b>	7.7%	
<b>1987</b>	5.8%	
<b>1988</b>	5.5%	
<b>1989</b>	12.0%	1985–90
<b>1990</b>	<b>11.3%</b>	<b>42.3%</b>
<b>1991</b>	5.9%	
<b>1992</b>	6.2%	
<b>1993</b>	3.7%	
<b>1994</b>	0.9%	1991–95
<b>1995</b>	<b>2.8%</b>	<b>19.5%</b>

In 1998, the Province took over responsibility for education funding in order to bring education property tax rates under control and to ensure fair and consistent treatment for all school boards across Ontario, putting an end to years of spiralling taxes.

Starting in 1998, the Province froze education tax rates on residential and business properties province-wide.

For residential properties, a uniform rate of 0.46 per cent has been established. Residences across Ontario with the same assessed value will now pay the same amount of education property tax, no matter where the property is located.

For business properties, not only have rates been stabilized, but they are also being reduced in many communities. As announced in the 1998 budget, education taxes are being reduced for commercial and industrial property classes whose education tax rates exceed the 1998 provincial average rate. This tax cut, which will provide more than \$500 million in benefits to business taxpayers province-wide, is being phased in over eight years beginning in 1998.

- ◆ In this Budget, education taxes for residential taxpayers are being cut. The Province would reduce the residential education tax rate by 20 per cent, beginning with 10 per cent in 1999. This tax cut would benefit residential, multi-residential, farmland and managed forest properties province-wide.



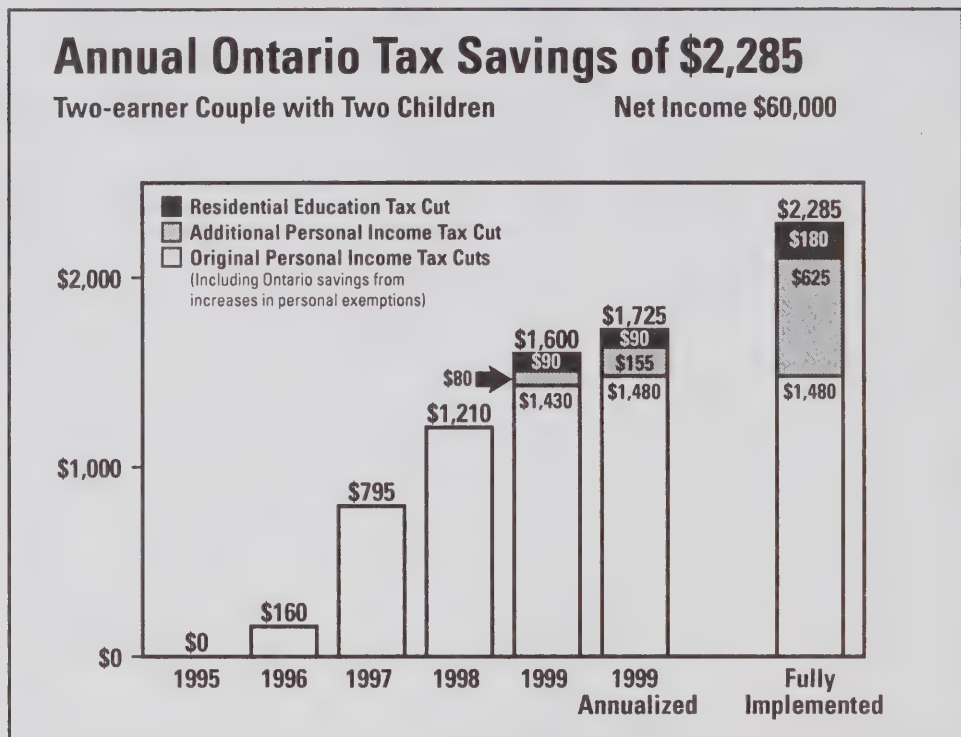
Average Education Tax Savings for Homeowners <sup>1</sup>		
Municipalities	Average Education Tax Savings 1999	Average Education Tax Cut When Fully Implemented
Algoma District	\$40	\$80
Brant County	\$53	\$107
Bruce County	\$43	\$87
Chatham-Kent County	\$46	\$92
Cochrane District	\$39	\$78
Dufferin County	\$68	\$137
Durham Region	\$71	\$142
Elgin County	\$52	\$104
Essex County	\$59	\$118
Frontenac County	\$55	\$109
Grey County	\$48	\$96
Haldimand-Norfolk Region	\$49	\$98
Haliburton County	\$45	\$90
Halton Region	\$92	\$183
Hamilton-Wentworth Region	\$62	\$125
Hastings County	\$44	\$89
Huron County	\$45	\$90
Kenora District	\$48	\$96
Lambton County	\$47	\$95
Lanark County	\$48	\$96
Leeds & Grenville County	\$49	\$98
Lennox and Addington County	\$45	\$89
Manitoulin District	\$34	\$69
Middlesex County	\$61	\$122
Muskoka District	\$69	\$138
Niagara Region	\$58	\$116
Nipissing District	\$46	\$92
Northumberland County	\$51	\$101
Ottawa-Carleton Region	\$67	\$134
Oxford County	\$54	\$108
Parry Sound District	\$52	\$105
Peel Region	\$86	\$172
Perth County	\$56	\$112
Peterborough County	\$52	\$105
Prescott and Russell County	\$46	\$92
Prince Edward County	\$52	\$104
Rainy River District	\$35	\$70
Renfrew County	\$42	\$84
Simcoe County	\$61	\$122
Stormont, Dundas & Glengarry County	\$41	\$82
Sudbury District	\$30	\$61
Sudbury Region	\$51	\$103
Thunder Bay District	\$51	\$101
Timiskaming District	\$31	\$63
Toronto	\$96	\$193
Victoria County	\$52	\$104
Waterloo Region	\$64	\$128
Wellington County	\$68	\$136
York Region	\$114	\$227
<b>Provincial Average Property:</b>	<b>\$70</b>	<b>\$139</b>

1 Average includes all residential property types (e.g., single-family detached, semi-detached, row houses and condominiums).

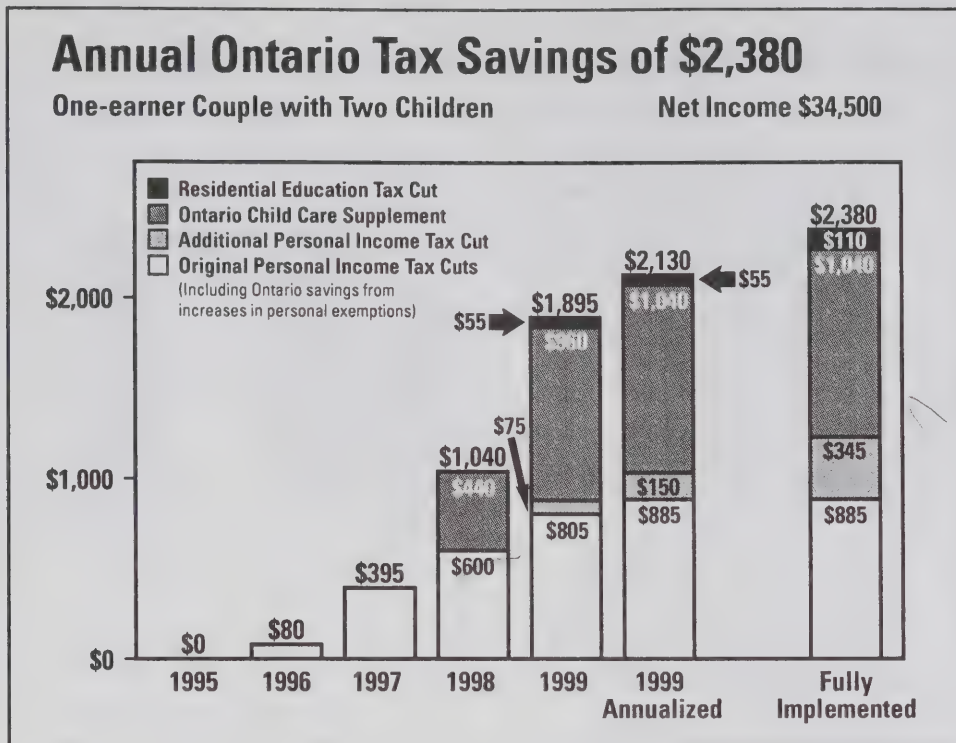
<b>Education Tax Savings by House Value (\$)</b>		
<b>House Value</b>	<b>1999 Education Tax Savings</b>	<b>Savings When Fully Implemented</b>
100,000	46	92
150,000	69	138
200,000	92	184
250,000	115	230

## Examples: Combined Impact of Ontario's Tax Cuts

The following examples illustrate the combined impact of these proposed tax measures—together with the tax cuts already in place—on individuals and families for a variety of incomes, circumstances and residential locations.

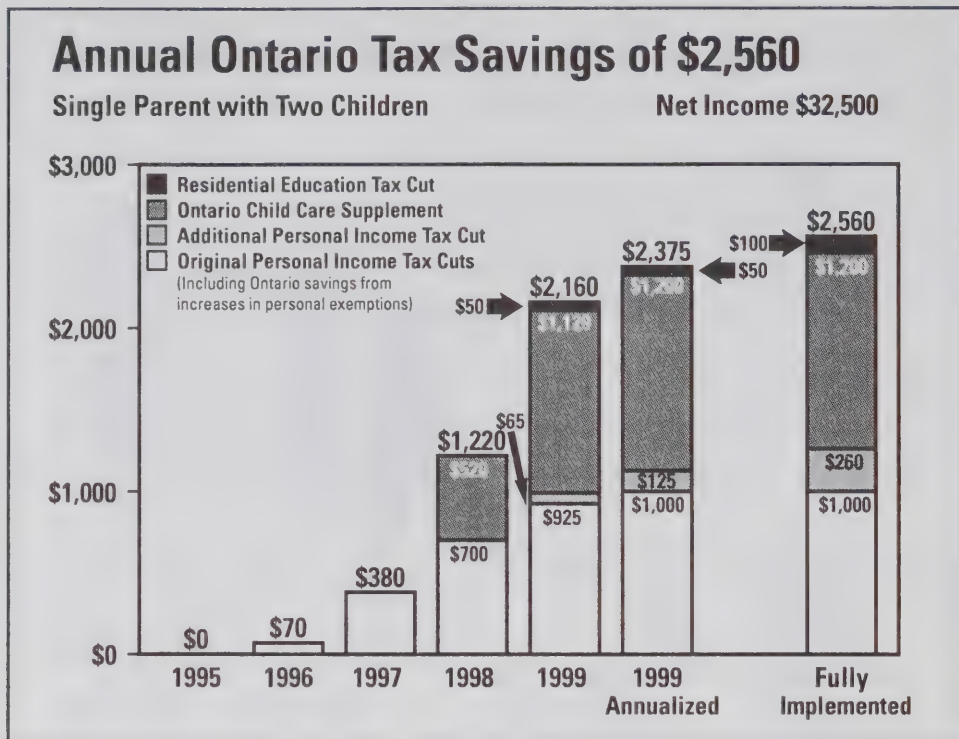


- ◆ One parent earns \$35,000 a year as a computer operator. The other parent is an office worker, making \$25,000 a year. No child care costs are incurred for their two school-aged children (ages 12 and 15).
- ◆ The family lives in a three-bedroom home in Mississauga, assessed at \$196,000.
- ◆ Ontario's original personal income tax cuts will save this family \$1,430 in 1999, and a total of \$3,595 over four years.
- ◆ Once fully implemented, the additional Ontario income tax cut and the residential education tax cut would increase this family's Ontario tax savings by \$805, for total savings of \$2,285 per year.

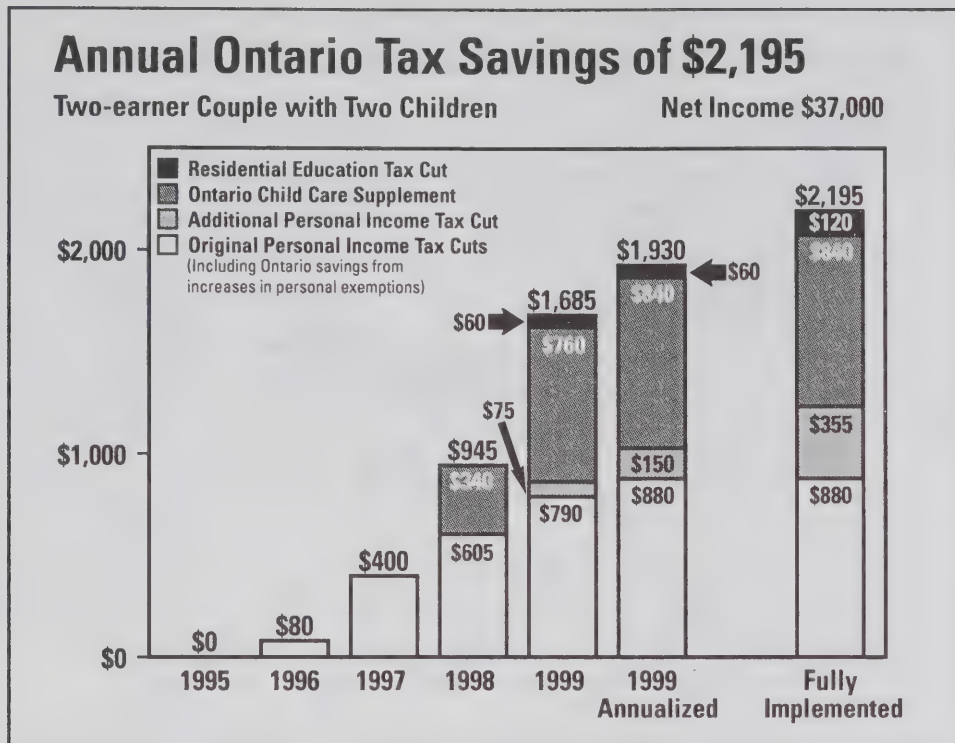


- ◆ One parent earns \$37,000 a year as a bus driver, pays \$500 a year in union dues and contributes \$2,000 to a company pension. The other parent stays home to care for their two young children (ages one and three).
- ◆ The family lives in a three-bedroom home in Thunder Bay, assessed at \$120,000.
- ◆ Ontario's original personal income tax cuts will save this family \$805 in 1999, and a total of \$1,880 over four years.
- ◆ Once fully implemented, the additional Ontario income tax cut and the residential education tax cut would increase this family's Ontario tax savings by \$455. When combined with the original cuts and the enriched child care supplement, this family's savings would total \$2,380 per year.

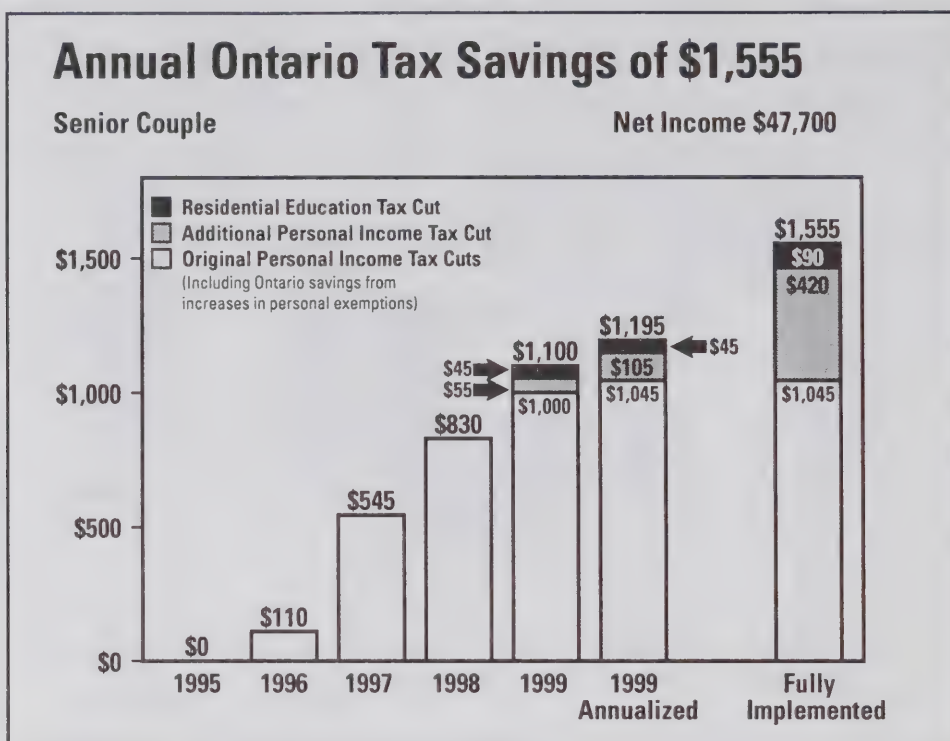




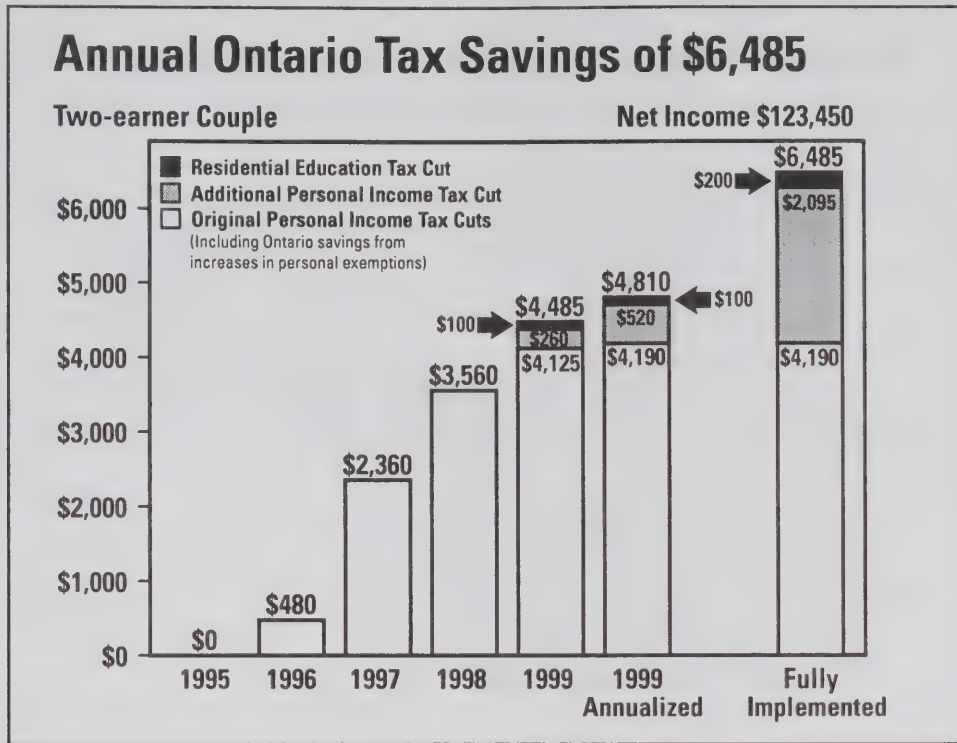
- ◆ A single parent with two children (ages three and five) earns \$46,000 a year as a registered nurse, pays \$850 a year in union and professional dues, and contributes \$2,650 to a company pension. Day care for the children costs \$10,000 a year.
- ◆ The family lives in a three-bedroom home in Peterborough, assessed at \$109,000.
- ◆ Ontario's original personal income tax cuts will save this family \$925 in 1999, and a total of \$2,075 over four years.
- ◆ Once fully implemented, the additional Ontario income tax cut and the residential education tax cut would increase this family's Ontario tax savings by \$360. When combined with the original cuts and the enriched child care supplement, this family's savings would total \$2,560 per year.



- ◆ One parent earns \$33,000 a year as a machine operator, pays \$600 in union dues and contributes \$1,400 a year to a company pension. The other parent, while caring for their two young children (ages one and four), earns \$6,000 a year from a home-based business.
- ◆ The family lives in a two-bedroom home in Oshawa, assessed at \$130,000.
- ◆ Ontario's original personal income tax cuts will save this family \$790 in 1999, and a total of \$1,875 over four years.
- ◆ Once fully implemented, the additional Ontario income tax cut and the residential education tax cut would increase this family's Ontario tax savings by \$475. When combined with the original cuts and the enriched child care supplement, this family's savings would total \$2,195 per year.

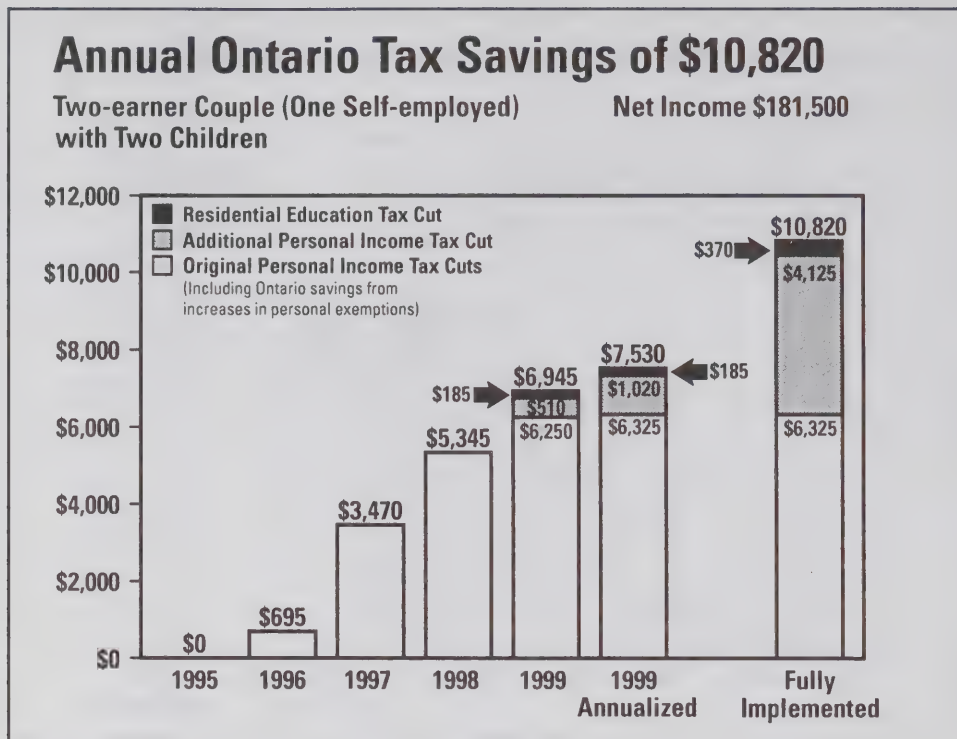


- ◆ Both individuals are retired. They each receive \$4,950 in Old Age Security and \$2,400 in Canada Pension. One individual has a company pension of \$29,000 a year. The other individual receives annual annuity payments of \$1,000. They each report interest income of \$1,500.
- ◆ The couple lives in a two-bedroom home in Sudbury, assessed at \$98,000.
- ◆ Ontario's original personal income tax cuts will save this couple \$1,000 in 1999, and a total of \$2,485 over four years.
- ◆ Once fully implemented, the additional Ontario income tax cut and the residential education tax cut would increase this couple's Ontario tax savings by \$510, for total savings of \$1,555 per year.

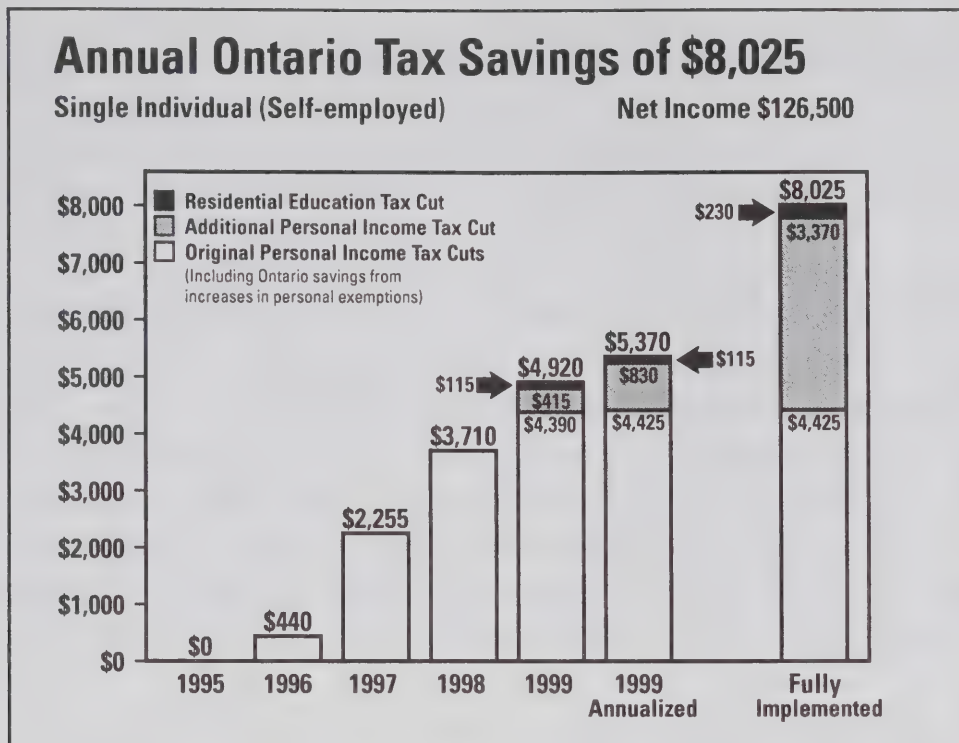


- ◆ A professor earns \$75,000 a year and contributes \$4,300 annually to the university pension. A teacher earns \$58,000, pays \$750 in union dues and contributes \$4,500 a year to the teachers' pension fund.
- ◆ The couple lives in a three-bedroom home in London, assessed at \$217,000.
- ◆ Ontario's original personal income tax cuts will save this couple \$4,125 in 1999, and a total of \$10,525 over four years.
- ◆ Once fully implemented, the additional Ontario income tax cut and the residential education tax cut would increase this couple's Ontario tax savings by \$2,295, for total savings of \$6,485 per year.





- ◆ A self-employed lawyer makes \$125,000 a year and contributes \$13,500 to an RRSP. An engineer at a large telecommunications company earns \$84,000 a year. Their two young children (ages two and four) are cared for in their home by a nanny, at a cost of \$18,000 a year—of which \$10,000 was deductible from 1995 through 1997, and \$14,000 was deductible for 1998 and subsequent years.
- ◆ The family lives in a four-bedroom home in Toronto, assessed at \$402,000.
- ◆ Ontario's original personal income tax cuts will save this family \$6,250 in 1999, and a total of \$15,760 over four years.
- ◆ Once fully implemented, the additional Ontario income tax cut and the residential education tax cut would increase this family's Ontario personal income tax savings by \$4,495, for total savings of \$10,820 per year.



- ◆ A single doctor, with no dependants, earns \$140,000 a year and contributes \$13,500 to an RRSP.
- ◆ This individual lives in a three-bedroom home in Ottawa, assessed at \$250,000.
- ◆ Ontario's original personal income tax cuts will save this individual \$4,390 in 1999, and a total of \$10,795 over four years.
- ◆ Once fully implemented, the additional Ontario income tax cut and the residential education tax cut would increase this individual's Ontario personal income tax savings by \$3,600, for total savings of \$8,025 per year.

## Details of Revenue Measures

The following sections provide information on the taxation measures in the Budget. For a precise description of these measures, the reader is advised to consult the amending legislation.

### Income Tax Act

#### Further Cuts to the Ontario Personal Income Tax

The Ontario personal income tax rate is set as a percentage of basic federal tax. In 1995, the Ontario tax rate was 58 per cent of basic federal tax. With the full implementation of the tax cuts first announced in the 1996 budget, the Ontario personal income tax rate was reduced to 40.5 per cent of basic federal tax for the 1999 and subsequent taxation years. This Budget proposes a further cut in the Ontario personal income tax rate.

- ◆ Effective July 1, 1999, the Ontario personal income tax rate would be reduced from 40.5 per cent of basic federal tax to 38.5 per cent of basic federal tax.
  - For the 1999 taxation year, the Ontario personal income tax rate would be 39.5 per cent of basic federal tax.
- ◆ For the 2000 and subsequent taxation years, the Ontario personal income tax rate would be 38.5 per cent of basic federal tax.

The Fair Share Health Care Levy (FSHCL) is a surtax applied to basic Ontario income tax. This levy currently does not apply to taxpayers reporting less than \$51,000 of income. The FSHCL has two tiers. To parallel the reduction in the personal income tax rate, the thresholds above which the FSHCL rates apply are proposed to be adjusted to maintain the income levels at which the FSHCL becomes payable.

- ◆ Effective July 1, 1999, the FSHCL would be calculated as 20 per cent of Ontario income tax in excess of \$3,655 plus 36 per cent of Ontario income tax in excess of \$4,562.
  - For the 1999 taxation year, the FSHCL would equal 20 per cent of Ontario income tax in excess of \$3,750 plus 36 per cent of Ontario income tax in excess of \$4,681.
- ◆ For the 2000 and subsequent taxation years, the FSHCL would equal 20 per cent of Ontario income tax in excess of \$3,655 plus 36 per cent of Ontario income tax in excess of \$4,562.

The Ontario Tax Reduction program reduces or eliminates the Ontario income tax payable by low- and moderate-income taxpayers. By leaving current program parameters in place when the Ontario tax rate is reduced, 30,000 low-income taxpayers would be removed from Ontario's tax rolls and 555,000 additional taxpayers with modest incomes would have their Ontario tax further reduced.

## Ontario Research Employee Stock Option Credit

During the pre-Budget consultations, concerns were expressed about the difficulty facing high-technology companies in attracting and retaining highly skilled workers. In response to these concerns, the Government is proposing the following framework for a new Ontario tax credit that would substantially reduce or eliminate Ontario personal income tax arising from the exercise or disposition of eligible stock options granted by R&D companies to their eligible employees. Over the next few months, the Government will consult with stakeholders on the definitions of an eligible corporation and an eligible employee, and on the appropriate level of the tax credit.

### Eligible employee

#### ◆ An eligible employee:

- must be employed by an eligible corporation at the time the stock option is granted; and
- must be a resident of Ontario on December 31 of the year in which the stock option is granted, and December 31 of the year for which the employee takes a deduction under paragraph 110(1)(d) or (d.1) of the *Income Tax Act* (Canada).

#### ◆ If an individual is an employee of the eligible corporation as well as an employee of a corporation not dealing at arm's length with the eligible corporation, the individual would be eligible for the tax credit only if he or she provides substantially all of his or her employment services to the eligible corporation in the year the stock option is granted.

- In the application of this rule, where an individual provides services to a corporation not dealing at arm's length with the eligible corporation, through the use of a personal services corporation, he or she would be considered to be an employee of the corporation not dealing at arm's length with the eligible corporation.

#### ◆ The tax credit would not be available to an individual who:



- owns (individually or in combination with a related group), or is related to a person (or a related group) who owns, directly or indirectly, at least 10 per cent of any class of shares of the eligible corporation, or of any corporation not dealing at arm's length with the eligible corporation, at any time prior to the date the stock option is granted; or
- is a corporate director of the eligible corporation unless he or she also performs employment duties other than as a corporate director of the eligible corporation.

### Eligible stock options

- ◆ Eligible stock options would be those granted under an agreement by which the eligible corporation will sell, issue or cause to be issued to its employees its shares or the shares of a corporation not dealing at arm's length with the eligible corporation.
- ◆ Stock options must qualify for a deduction under paragraph 110(1)(d) or (d.1) of the *Income Tax Act* (Canada).

### Eligible corporation

- ◆ An eligible corporation:
  - must be directly undertaking scientific research and experimental development at a permanent establishment in Ontario; and
  - must meet any additional tests, to be determined through consultation.
- ◆ Scientific research and experimental development would be as defined in subsection 248(1) of the *Income Tax Act* (Canada).

### Tax credit

- ◆ The tax credit would be based on the amount of the deduction taken under paragraph 110(1)(d) or (d.1) of the *Income Tax Act* (Canada).
- ◆ The tax credit would be claimed with respect to the taxation year for which the stock option benefit is reported in income and the deduction is taken under paragraph 110(1)(d) or (d.1).
- ◆ The tax credit would be available on a lifetime maximum of \$1 million of eligible stock option benefits reported by an individual.

- ◆ The tax credit would not be refundable.

## Effective date

- ◆ The tax credit would be available for eligible stock options granted by an eligible corporation following proclamation of the legislation enacting the tax credit.

## Ontario Child Care Supplement for Working Families

Last year, the Government introduced the Ontario Child Care Supplement for Working Families as its reinvestment under the National Child Benefit initiative and announced that spending on this program would be increased this year. Additional funds made available in July 1999 by the second phase of the National Child Benefit initiative would fund this enrichment.

The Government proposes to increase the maximum benefit under the Ontario Child Care Supplement for Working Families from \$1,020 to \$1,100 per year for each child under age seven, effective July 1999.

For families with earnings from work (including self-employment), benefits are calculated as a percentage of earnings in excess of \$5,000, depending on the number of children under age seven. With the increase in the maximum supplement for each child, it is proposed that the percentage of earnings be adjusted to ensure that lower-income working families benefit from the enrichment.

- ◆ Benefits are proposed to be 21 per cent of earnings above \$5,000 for a family with one child under age seven, 42 per cent for a family with two children under age seven, and 63 per cent for a family with three or more children under age seven.
- ◆ The maximum annual benefit would be \$1,100 multiplied by the number of children under age seven.

Families must return their application forms by June 30, 1999 to receive a child care supplement payment in July 1999.

The benefit increase would be paid beginning with the July 1999 payment or as a lump-sum retroactive amount following Royal Assent of the amending legislation.

Benefit entitlements for the period July 1999 to June 2000 would be calculated on the basis of amounts reported on the 1998 income tax return and Canada Child Tax Benefit information.

## Education Tax Rate Reduction

In 1998, education tax rates were frozen as part of Ontario's tax reform initiative. For residential property taxpayers across Ontario, a uniform education tax rate of 0.46 per cent of assessed value was established.

This Budget sets out a province-wide reduction in the residential education tax rate. When the 20 per cent cut is fully implemented, the education tax rate applicable to residential properties will be 0.368 per cent of assessed value.

Amendments will be introduced to the *Education Act* to incorporate the residential education tax rate in legislation, and to make the following changes to the education tax rates for 1999:

- ◆ The rate applicable to residential and multi-residential properties would be reduced by 10 per cent to 0.414 per cent of assessed value.
- ◆ The rate applicable to farmlands and managed forests would be reduced to 0.1035 per cent of assessed value.

# Community Small Business Investment Funds Act

During pre-Budget consultations with interested stakeholders, various suggestions were received for improving access to capital for small and medium-sized businesses under the Community Small Business Investment Fund (CSBIF) program and the Labour Sponsored Investment Fund (LSIF) program. As a result of these consultations, the Government is proposing changes to both programs to further enhance the flow of investment capital to small and medium-sized businesses in Ontario. The proposed changes to each program are described below.

Some of the suggestions received require further consultation and review. These suggestions include expanding the objectives of both programs to increase the flow of capital into research and development activities in Ontario. The Government will consult further with stakeholders on these suggestions prior to the introduction of legislation to amend the Act.

## Community Small Business Investment Funds

The CSBIF program was introduced in 1997 to promote greater access to investment capital for very small, growing businesses with \$1 million or less in assets. To date, three CSBIFs, capable of investing up to a total of \$18 million in small businesses, have been registered. Other potential CSBIFs are under active consideration by interested community sponsors and investors.

- ◆ In order to facilitate the establishment of additional CSBIFs, the Government is proposing the following changes:
  - the deadline for registering a CSBIF would be extended an additional two years to December 31, 2001;
  - the requirement that financial institutions or labour sponsored investment funds contribute more than 50 per cent of a CSBIF's equity would be reduced to 25 per cent;
  - the minimum equity contribution to a CSBIF by an individual investor would be reduced from \$150,000 to \$25,000, and the investment incentive available to individuals would be extended to corporations; and



- the minimum amount of equity capital required for registration of a CSBIF would be reduced from \$5 million to \$2 million.
- ◆ To provide a fairer and simpler framework for CSBIF investment decisions in growing small businesses, it is proposed that:
  - the \$1 million asset limit for an eligible business be applied only at the time of the CSBIF's initial investment;
  - the initial investment in an eligible business may be in any amount up to the current overall limit of 20 per cent of the CSBIF's equity; and
  - the eligible business criteria be amended to require that at least 75 per cent of assets and employees be engaged in eligible business activities within the community at the time a CSBIF makes an investment.
- ◆ Technical amendments would be made to the legislation governing CSBIFs to improve the administration, effectiveness and technical integrity of the program.

## **Labour Sponsored Investment Funds**

Labour sponsored investment funds are designed to provide capital to businesses with no more than \$50 million in assets and 500 employees. In 1998, labour sponsored investment funds invested over \$210 million in 144 Ontario businesses.

- ◆ To further improve access to capital for small and medium-sized businesses that do not have access to public equity markets, the Government is proposing amendments to the rules governing investments in reporting issuers. The current investment limit would be amended to apply only to reporting issuers listed on a recognized stock market or exchange. If a reporting issuer in which an investment is held becomes listed, it would become subject to the limit.
- ◆ The Government proposes to introduce legislation to govern mergers and amalgamations of labour sponsored investment funds, as well as the procedures for withdrawals from the program. The proposed rules would be comparable to the federal rules announced in the 1999 federal budget.
- ◆ Technical amendments would be made to the legislation governing labour sponsored investment funds to improve the administration, effectiveness and technical integrity of the program.

# Land Transfer Tax Act

## Land Transfer Tax Refund for First-time New Home Buyers Extended and Maximum Refund Increased

As announced on March 31, 1999, the Government will introduce legislation to extend by one year the temporary refund program applicable to the purchase of a newly built home by a first-time home buyer.

### Eligibility criteria

- ◆ Qualification deadlines would be extended as follows: the agreement of purchase and sale must be entered into on or before March 31, 2000, the purchaser must take possession of the house no later than December 31, 2000 and the transfer must be registered no later than December 31, 2001.
- ◆ Other program eligibility rules would remain unchanged.

### Maximum refund increased

- ◆ To further assist families to purchase their first home and to promote home construction, it is proposed that the maximum refund be increased from \$1,725 to \$2,000 effective for agreements of purchase and sale entered into after March 31, 1999.

# Retail Sales Tax Act

## Relief for Farmers

### Permanent rebate on building materials for farmers

On March 31, 1999, the Government announced a one-year extension of the temporary rebate for retail sales tax paid on building materials purchased by farmers. The Government will introduce legislation to make this program permanent, effective April 1, 1999. The program eligibility rules would remain unchanged.

### Expanding retail sales tax relief for farmers

- ◆ Regulation amendments are also proposed to expand the exemptions available to farmers. Effective May 5, 1999, farmers would also be able to purchase the following items exempt of retail sales tax by providing their suppliers with a purchase exemption certificate:
  - antifreeze;
  - calcium chloride;
  - forms for recording animal weight and other data;
  - lubricating oil and grease; and
  - generators.

## Temporary Rebate on Building Materials for Heritage Properties

The Government will introduce legislation to implement a new temporary rebate program. Owners of qualifying heritage properties may apply for a retail sales tax rebate on building materials purchased after May 4, 1999 and before May 5, 2000, and used in approved conservation and restoration projects in Ontario. The rebate would be capped at \$3,000 per heritage property.

### Qualifying properties

- ◆ Qualifying properties would be defined to include a heritage property formally protected under the *Ontario Heritage Act*:
  - buildings and structures designated by a municipality under Part IV of the Act;
  - buildings and structures in a heritage conservation district designated under Part V of the Act; and
  - buildings and structures protected by a heritage easement agreement.

## Qualifying conservation and restoration projects

- ◆ Qualifying conservation and restoration projects would be defined as work that maintains, conserves, reconstructs or enhances architectural features described in the municipal designation by-law, the heritage conservation district plan, or the easement agreement under the *Ontario Heritage Act*.



# Corporations Tax Act

## Enhancing the Capital Tax Exemption for Small Businesses

Small businesses are currently exempt from Ontario capital tax if both their assets and revenue are less than \$1 million. Businesses with taxable paid-up capital under \$2.3 million are subject to flat or reduced rates of capital tax.

The Government proposes to simplify and enrich this exemption for small businesses.

- ◆ A corporation or a group of associated corporations that have aggregate taxable paid-up capital under \$2 million would be exempt from capital tax.
- ◆ For corporations or associated groups of corporations with aggregate taxable paid-up capital greater than \$2 million and less than \$4 million, the full rate of capital tax would be phased in gradually between \$2 million and \$4 million of taxable paid-up capital.
- ◆ The \$4 million threshold would be staged over five years.
  - For taxation years ending after May 4, 1999 and before January 1, 2000, prorated for taxation years straddling May 4, 1999, the threshold at which the capital tax rate would be fully phased in would be \$2.4 million.
  - This threshold would be increased by \$400,000 each subsequent January 1, until the \$4 million threshold is fully phased in on January 1, 2003.
- ◆ Corporations or associated groups of corporations that have aggregate taxable paid-up capital greater than the threshold at which the capital tax rate is fully phased in for a year would continue to pay capital tax at the rate of 0.3 per cent on their taxable paid-up capital.
- ◆ Central credit unions, family farm corporations, family fishing corporations and certain mutual insurance corporations would be exempt from capital tax if they are currently subject to the \$100 flat tax.
- ◆ Small businesses that have total assets and gross revenue under \$1 million and that are not part of an associated group of corporations or a partnership would continue to be exempt from capital tax and from the requirement to calculate taxable paid-up capital.

## Effective date

This measure would be effective for taxation years ending after May 4, 1999, prorated for taxation years straddling May 4, 1999 and a calendar year-end.

## Eliminating Capital Tax for Credit Unions and Caisses Populaires

Ontario's credit unions and caisses populaires are unique, community-based financial institutions that provide an alternative to banks and trust companies. As announced in the 1997 budget, credit unions are subject to capital tax at a rate of 0.6 per cent, which is being phased in over a five-year period.

- ◆ To further assist credit unions to compete in the financial sector, legislation will be introduced to exempt credit unions from capital tax.
- ◆ This measure would be effective for taxation years ending after May 4, 1999, prorated for taxation years straddling May 4, 1999.

## Enhancing the Ontario Film and Television Tax Credit

The Ontario Film and Television Tax Credit (OFTTC) is a refundable tax credit available to Ontario-based, Canadian-controlled production companies for producing eligible film and television productions in Ontario. To qualify for the OFTTC, a production must currently earn at least eight "creative services" points regarding Canadian content.

- ◆ Effective for productions commencing principal photography after May 4, 1999, it is proposed that eligibility for the OFTTC would be extended to productions with at least six "creative services" points. This enhancement would extend the OFTTC to a broader range of Canadian productions and would make the OFTTC consistent with comparable federal and provincial film tax credit programs.

## Enhancing the Computer Animation and Special Effects Tax Credit

To reinforce Ontario's world-renowned excellence in digital animation and digital special effects and support Ontario's highly skilled talent, the Ontario Computer Animation and Special Effects (OCASE) tax credit would be enhanced.

The OCASE tax credit is a 20 per cent refundable tax credit available to corporations for the creation in Ontario of digital animation and digital visual effects for use in film and television productions.

- ◆ Effective for expenditures incurred after May 4, 1999, the OCASE tax credit would be expanded to include 50 per cent of amounts paid to individuals in Ontario who are not employees of the qualifying corporation with respect to qualifying activities performed in Ontario.

## **Enhancing the Ontario Interactive Digital Media Tax Credit**

To support highly skilled jobs and encourage investment in Ontario's dynamic, interactive industry, the Ontario Interactive Digital Media tax credit would be enhanced.

The Ontario Interactive Digital Media tax credit is a 20 per cent refundable tax credit available to corporations for the creation in Ontario of original interactive digital media products.

- ◆ Effective for expenditures incurred after May 4, 1999, the Ontario Interactive Digital Media tax credit would be expanded to include 50 per cent of amounts paid to arm's-length parties in Ontario who are not employees of the qualifying corporation for the creation of eligible products in Ontario.

## **Eliminating Barriers to Technology Transfers**

As announced in the 1997 budget, Ontario removed barriers to technology transfers by excluding certain royalties paid to non-residents from the 5/15.5 add-back where a tax treaty exempts the royalty from federal withholding taxes under the *Income Tax Act* (Canada).

- ◆ A royalty is currently excluded from the add-back if it is paid with respect to:
  - computer software; or
  - patents and information concerning industrial, commercial or scientific experience (know-how), including designs, models, plans, secret formulas and processes.
- ◆ To provide fair treatment for all technology transfers, the Government proposes that the types of royalties described above would be excluded from the add-back, whether or not a tax treaty exempts the royalty from federal withholding taxes under the *Income Tax Act* (Canada).
- ◆ This measure would be effective for royalties incurred after May 4, 1999.

## Expanding the Ontario Innovation Tax Credit

The Ontario Innovation Tax Credit (OITC) provides qualifying small and medium-sized Canadian-controlled private corporations with a 10 per cent refundable tax credit for research and development carried out in Ontario. Under the present rules, to be eligible for the full OITC, the federal taxable income of a corporation and its taxable capital (for federal large corporations tax purposes) in the preceding taxation year must not exceed \$200,000 and \$10 million, respectively. Where a corporation exceeds these thresholds, the annual limit on qualifying expenditures is phased out on a graduated scale.

- ◆ The Government will introduce legislation to extend the availability of the OITC to all public and private corporations that satisfy the same income criteria as Canadian-controlled private corporations currently eligible for the OITC.
- ◆ In addition, corporations would be eligible to claim the full OITC where they have up to \$25 million of taxable paid-up capital. The annual limit on qualifying expenditures would be fully phased out when taxable paid-up capital is \$50 million or more.
- ◆ These measures would be effective for taxation years ending after May 4, 1999, prorated for taxation years straddling May 4, 1999.

## Enhancing Tax Incentives for Businesses Hiring Apprentices

To increase opportunities for Ontarians acquiring skills in leading-edge technology fields, and to assist growth-oriented businesses in finding and training new workers, the Government proposes to enhance the tax incentive for hiring apprentices provided through the Leading-Edge Technology (LET) component of the Co-operative Education Tax Credit (CETC) introduced in the 1997 budget. For incorporated and unincorporated businesses, the CETC currently provides a 10 per cent (up to 15 per cent for small businesses) refundable tax credit up to a maximum tax credit of \$4,000 per apprentice with respect to the first 16 months of the apprenticeship.

- ◆ Effective for apprentices whose employment commences after May 4, 1999, the maximum period for which salaries, wages and benefits would be eligible expenses for the tax credit with respect to LET apprenticeships would be extended from 16 to 24 months. This would increase the maximum tax credit to \$6,000 with respect to each apprentice.



## Ontario School Bus Safety Incentive

The Canadian Standards Association (CSA) has published a new standard for school buses that Ontario intends to adopt on September 1, 1999. To encourage school bus operators to replace old buses with buses that meet the new CSA standard, the Government is proposing a new incentive.

### Tax incentive

- ◆ The proposed incentive would be a 30 per cent deduction for the capital cost of acquiring a new school bus for use in Ontario.
- ◆ Where a corporation allocates part of its taxable income to another jurisdiction, the incentive would be grossed up by its Ontario allocation factor to ensure that the full benefit of the incentive is realized.
- ◆ The proposed incentive would be a once-only claim and separate from, and in addition to, the deduction available for income tax purposes with respect to the capital cost.

### Eligible bus

- ◆ An eligible bus would be a vehicle that:
  - is acquired within three years of May 4, 1999;
  - conforms to the CSA D250-M 1998 standard;
  - is used primarily to transport students to and from school in Ontario; and
  - the capital cost is an expenditure described in Capital Cost Allowance class 10 of the federal Income Tax Regulations.

### Effective date

- ◆ The proposed incentive would apply to acquisitions made after May 4, 1999.

## Tax Harmonization Measures

### Extension of the manufacturing and processing tax credit to the electricity-generating sector

The manufacturing and processing tax credit in Ontario reduces the corporate income tax rate applicable to manufacturing and processing income from 15.5 per cent to 13.5 per cent.

- ◆ In order to assist participants in the electricity-generating industry to compete in a restructured electricity market, the Government proposes to extend the manufacturing and processing tax credit to corporations that produce electrical energy or steam for sale.
- ◆ The extension of the manufacturing and processing tax credit to the electrical and steam-generating sector would be phased in, commencing January 1, 1999, over four years at 0.5 per cent per year, prorated for taxation years straddling a calendar year-end. The full two per cent credit would be available in 2002. This is consistent with the extension of the manufacturing and processing tax credit to the electricity sector as announced in the 1999 federal budget.

### Other measures

The Government proposes to harmonize with certain federal income tax changes and effective dates announced in the 1999 federal budget and other federal releases. These include:

- ◆ extending class 43.1 (30 per cent) capital cost allowance treatment to electrical generating equipment using flare gas;
- ◆ allowing accelerated capital cost allowance deductions to small and medium-sized businesses for up to \$50,000 of eligible computer hardware and software acquired between January 1, 1998 and June 30, 1999 to replace systems that are not year 2000 compliant; and
- ◆ paralleling, with necessary modifications, proposed federal tax measures dealing with the demutualization of life insurance companies.

# Making the Tax System Fairer

Ontario will introduce legislation to improve the fairness of the tax system, simplify tax legislation, reduce the administrative burden for taxpayers and ensure that all taxpayers pay their fair share of taxes.

## Income Tax Act

- ◆ The *Income Tax Act* allows a mutual fund trust to claim a refund of income tax and surtax paid on its capital gains, if certain conditions are met. Effective for the 1999 and subsequent taxation years, it is proposed that the calculation of this refund be amended to ensure that all income tax and surtax paid on capital gains after 1995 are available for the refund.

## Corporations Tax Act

### Corporate minimum tax

- ◆ The Government will introduce amendments to improve the fairness of the corporate minimum tax by allowing a corporation to reduce its adjusted net income by the amount of interest paid on debt that is treated as equity for accounting purposes. This measure would be effective for interest incurred after May 4, 1999.

### Capital tax

- ◆ The Government will also introduce legislation to make the investment allowance claimed by financial institutions fairer. Currently, the investment allowance available to a financial institution is limited to investments in shares and long-term debt of a related financial institution or insurance corporation with a permanent establishment in Ontario. The investment allowance is also limited to the extent that the related financial institution or insurance corporation carries on business in Ontario.
  - The new rules would allow a financial institution to claim a full investment allowance for investments in shares and long-term debt of related financial institutions and insurance corporations in Canada, whether or not they have a permanent establishment in Ontario, provided that the financial institution claiming the investment allowance allocates all its capital to Ontario and is not controlled directly or indirectly by another financial institution. The investment allowance in this situation would not be adjusted to reflect the extent to which the related financial institution or insurance corporation operates in Ontario.

- This measure would be effective May 7, 1997, which was the date that Ontario's capital tax for financial institutions was harmonized with the federal large corporations tax.

## Corporate income tax

- ◆ The *Corporations Tax Act* was amended in 1998 to implement rules preventing the undue reduction of provincial tax through the manipulation of claims for discretionary deductions and reserves in taxation years where there are significant changes in the proportionate amount of taxable income that a corporation allocates to Ontario. Amendments will be introduced to clarify the rules so that they are more effective and fair and do not interfere with legitimate business transactions. These changes would include clarifying that these rules apply only where a corporation claims a deduction and it is reasonable to believe that one of the reasons for claiming the deduction is to unduly reduce provincial tax.

## Other

- ◆ Under the *Municipal Act* and the *Provincial Land Tax Act*, telephone and telegraph companies are required to pay a tax on their gross receipts arising from telephone and other equipment, including long distance calls. It is proposed that the tax rate for 1999 would be reduced to four per cent from the five per cent that was in place in 1998.
- ◆ Ontario will consult with fuel, gasoline and tobacco tax collectors to improve the method of reconciling tax accounts where loss of product has occurred.



## Technical Amendments

To improve administrative effectiveness and maintain the integrity and equity of the tax system and the Government's collection and use of revenues, as well as to enhance legislative clarity, various changes will be introduced to the following statutes:

- ◆ *Corporations Tax Act*
- ◆ *Education Act*
- ◆ *Electricity Act, 1998*
- ◆ *Employer Health Tax Act*
- ◆ *Financial Administration Act*
- ◆ *Fuel Tax Act*
- ◆ *Gasoline Tax Act*
- ◆ *Income Tax Act*
- ◆ *Land Transfer Tax Act*
- ◆ *Mining Tax Act*
- ◆ *Municipal Act*
- ◆ *Ontario Guaranteed Annual Income Act*
- ◆ *Provincial Land Tax Act*
- ◆ *Race Tracks Tax Act*
- ◆ *Retail Sales Tax Act*
- ◆ *Tenant Protection Act*
- ◆ *Tobacco Tax Act*

## Reducing Red Tape for Small Business

This Budget builds on measures introduced in the previous three budgets to streamline and simplify tax compliance by proposing further administrative simplification and service enhancements. Additional measures may be developed in consultation with the small business community.

### Declaration of Taxpayer Rights

- ◆ A Charter of Taxpayer Rights will be developed in response to the recommendation of the Canadian Federation of Independent Business. The declaration will demonstrate Ontario's commitment to administering tax laws with fairness, courtesy and common sense.

### Corporations Tax

- ◆ A new short-form tax return is proposed for small business corporations commencing with the filing of returns for taxation periods ending on or after January 1, 2000. The new return will be reduced from 16 to 4 pages.
- ◆ Eligible small business corporations would be corporations that are exempt from capital tax, have taxable income under \$200,000, and are not part of a larger corporate group.

### Employer Health Tax

- ◆ It is proposed that effective January 1, 2000, employers with an annual total Ontario remuneration of \$600,000 or less would no longer be required to pay instalments, and would remit tax owing only once a year along with their Employer Health Tax annual return.

### Retail Sales Tax

- ◆ Current penalties for late-filed or short-paid tax remittances include the loss of compensation given for administering the tax. It is proposed that vendors be allowed to retain the compensation and that the late-filing and late-payment penalties be reviewed and refocused to deter significant non-compliance.
- ◆ Most retail sales tax is remitted on a monthly basis. However, many small vendors have extended return filing periods because the sales tax they collect is below established thresholds. It is proposed that the existing thresholds be doubled to allow more small vendors to benefit from the extended filing periods.

- Vendors remitting less than \$2,000 every six months would be allowed to remit once every six months.
  - Vendors remitting \$2,000 or more but less than \$4,000 every six months would be allowed to remit every three months.
  - Vendors remitting \$4,000 or more but less than \$6,000 every six months would be allowed to remit every two months.
- ◆ The Purchase Exemption Certificate system will be simplified to reduce red tape and compliance costs for vendors.

## **Improved Customer Service Measures**

Quality service has always been a priority of this Government. Recent measures to improve service for business taxpayers include:

- ◆ the creation of four Regional Tax Offices that provide “one-stop shopping” for taxpayers on retail sales tax, employer health tax and corporations tax matters;
- ◆ telephone registration for part-time retail sales tax vendors; and
- ◆ joint information seminars conducted with Revenue Canada to assist new goods and services tax/retail sales tax registrants.

In addition, this Budget proposes the following service enhancements:

- ◆ A Small Business Service Desk will be established in Regional Tax Offices with toll-free telephone access to better focus on servicing the tax-related needs of the small business community. Other services customized for the small business client will include:
  - a new series of *Small Business Pointers* tax guides to provide easy-to-understand retail sales tax overviews for various business sectors;
  - sector-specific retail sales tax information seminars; and
  - a new guide to answer the most frequently asked tax-related questions raised by small businesses, from initial registration requirements to filing tax returns and payments.

- ◆ Telephone registration will be extended to full-time retail sales tax vendors.
- ◆ A series of sector-specific employer health tax bulletins will be developed.
- ◆ A new fax-on-demand service will be introduced, initially for retail sales tax guides, and Internet opportunities will be developed.



## Streamlining the Securities Act for Small Business

The Ontario Securities Commission (OSC) will introduce new rules to make it easier to raise money in Ontario's capital markets.

These new rules will revamp the regulatory requirements for closely held issuers and for issuers that raise capital from "accredited" or sophisticated investors including most financial institutions and many so-called "angel" investors.

The OSC will move to replace four existing *Securities Act* prospectus and registration exemptions with two new ones to make it easier for small and medium-sized businesses to raise capital through private placements. The OSC proposes to allow:

- ◆ "Closely held issuers" to raise up to \$3 million, through any number of financings, from up to 35 investors, including employees, without regard to the sophistication or other qualifications of those investors. Such financings would be subject to streamlined securities regulatory requirements.
- ◆ Issuers to raise an unlimited amount from persons or companies that meet the definition of "accredited investors." "Accredited investors" would include, among others, most financial institutions, governments and agencies, pension funds, charities, certain high-net-worth or high-income individuals, promoters, certain corporations, certain mutual funds and those recognized by the OSC as accredited investors.

The Province will encourage the OSC to harmonize these rules and related securities matters with other Canadian jurisdictions. These rules will broaden the base of investors that can be tapped by businesses, and promote a deeper and more efficient capital market. This initiative should increase access to equity capital, especially for smaller businesses that are critical to economic growth and job creation in Ontario.

## **Ontario Securities Commission Fee Reduction**

The OSC is proposing to implement a 10 per cent across-the-board fee reduction in order to address the Government's commitment to reduce the OSC's fees to meet its expenditures. This is a first, interim step in a planned review and re-engineering by the OSC of its fee schedule. The fee reductions will benefit securities intermediaries, issuers and investors, and will be effective August 3, 1999.

## Credit Unions and Caisses Populaires

Ontario's credit unions and caisses populaires are unique, community-based financial institutions that provide Ontarians an alternative to the large banks and trust companies. There are 378 credit unions and caisses populaires in the province, operating in over 700 locations. They manage assets of over \$13.7 billion for their nearly two million members. Deposit insurance is provided by the Deposit Insurance Corporation of Ontario (DICO), an agency of the Province established under the provisions of the *Credit Unions and Caisses Populaires Act*.

To help credit unions and caisses populaires better serve the needs of their communities, the Government will make deposit insurance more affordable. Deposit insurance premiums paid by credit unions and caisses populaires will be made fairer by calculating the annual premiums based on the *insured* portion of deposits. The calculation is currently based on *all* deposits, including the uninsured portion and deposits in foreign currencies.

In addition, the Government will improve deposit insurance coverage to meet members' needs and help credit unions and caisses populaires stay competitive. Deposit insurance coverage will be extended to deposit products with maturities greater than five years. This will extend the range of possible product offerings and improve the ability of credit unions and caisses populaires to attract deposits to match term loans in excess of five years. As DICO and the credit union and caisses populaires system stay on course to strengthen the financial performance of the sector, the Government will increase the current level of insurance coverage of \$60,000 per account to \$100,000.

The Government will also examine ways to support small business lending by Ontario's credit unions and caisses populaires. Working with the sector, the Ministry of Finance will review alternative designs for a loan guarantee program to enable credit unions and caisses populaires to channel local savings towards small business loans.

<b>Benefits to Taxpayers: 1999 Budget Impact Summary</b>	<b>1999-00 Benefit (\$ Millions)</b>	<b>Full Year Benefit (\$ Millions)</b>
<b>Income Tax Act</b>		
Personal Income Tax Cut	520	4,000
Enriched Ontario Tax Reduction	5	10
<b>Education Act</b>		
Residential Education Tax Cut	248	500
<b>Community Small Business Investment Funds Act</b>	0	0
<b>Land Transfer Tax Act</b>	24	24
<b>Retail Sales Tax Act</b>		
Permanent Rebate on Building Materials for Farmers	7	7
Expanding Retail Sales Tax Relief For Farmers	2	2
Temporary Rebate on Building Materials for Heritage Properties	1	1
<b>Corporations Tax Act</b>		
Enhancing Capital Tax Exemption for Small Business	13	35
Eliminating Capital Tax for Credit Unions	1	4
Enhancing the Ontario Film and Television Tax Credit	10	10
Enhancing the Ontario Interactive Digital Media Tax Credit	1	1
Enhancing the Computer Animation and Special Effects Tax Credit	1	1
Eliminating 5/15.5 Add-Back Rule for Technology Transfers	19	21
Expanding Ontario's Innovation Tax Credit	16	17
Enhancing Co-op Tax Credit for Hiring Apprentices	0	10
Ontario School Bus Safety Incentive	3	4
Extending the Manufacturing and Processing Credit to the Electricity-Generating Sector	2	8
Small Business Tax Incentive for Y2K Computer Expenditures	6	12
<b>Gross Receipts Tax</b>	40	40
<b>Making the Tax System Fairer</b>	6	3
<b>Reducing Red Tape for Small Business</b>	3	5
<b>Total Benefits to Taxpayers</b>	<b>928</b>	<b>4,715</b>



## **For further information on these Budget initiatives:**

English or French enquiries: 1-800-337-7222

Teletypewriter (TTY): 1-800-263-7776

Ministry of Finance WEB site: <http://www.gov.on.ca/FIN/hmpage.html>

If you would prefer to write, please direct your enquiry to:

Personal income tax

Taxation Policy Branch  
Ministry of Finance  
5th Floor, Frost Building South  
7 Queen's Park Crescent East  
Toronto ON M7A 1Y7

Corporations tax

Corporations Tax Branch  
Ministry of Finance  
P.O. Box 622, 33 King Street West  
Oshawa ON L1H 8H6

Land transfer tax

Motor Fuels and Tobacco Tax Branch  
Ministry of Finance  
P.O. Box 625, 33 King Street West  
Oshawa ON L1H 8H9

Retail sales tax

Retail Sales Tax Branch  
Ministry of Finance  
P.O. Box 623, 33 King Street West  
Oshawa ON L1H 8H7

Community small business  
investment fund program,  
Labour sponsored investment fund program,  
Changes to make the tax system fairer

Tax Design and Legislation Branch  
Ministry of Finance  
2nd Floor, Frost Building North  
95 Grosvenor Street  
Toronto ON M7A 1Z1

Reducing red tape

Tax Revenue Division  
Ministry of Finance  
P.O. Box 627, 33 King Street West  
Oshawa ON L1H 8H5

Streamlining securities regulation,  
Credit unions and caisses populaires

Financial Services Policy Branch  
Ministry of Finance  
30th Floor, 250 Yonge Street  
Toronto ON M5B 2N7

Property tax,  
Education property tax

Property Tax Policy Secretariat  
Ministry of Finance  
5th Floor, Frost Building South  
7 Queen's Park Crescent East  
Toronto ON M7A 1Y7



## **PAPER D**

# **Ontario Financing Operations**





## Introduction

Despite increased volatility in global capital markets, the Government, through the Ontario Financing Authority (OFA), fulfilled the Province of Ontario's 1998–99 financing requirements in a cost-effective manner. Public debt interest costs were \$142 million below the 1998–99 Budget plan, largely due to borrowing at lower-than-budgeted interest rates.

In 1999–00, the Province intends to raise \$8.1 billion of long-term financing in the public capital markets, in addition to the \$0.6 billion raised so far in the fiscal year. This \$8.1 billion will include proceeds from the fifth annual Ontario Savings Bonds campaign in June. The domestic market will continue to be the main source of financing for the Province, while foreign markets will be accessed when cost-effective borrowing opportunities arise.

With total Provincial Purpose Debt at \$109.0 billion as of March 31, 1999, cost-effective borrowing and prudent debt management practices are essential.

## 1998–99 Borrowing Program Review

Many borrowers faced limitations in accessing global capital markets due to the increased market volatility in 1998–99. These limitations often meant increased borrowing costs, despite a low interest rate environment. However, the Province continued to enjoy preferred access to capital markets.

- ◆ For 1998–99, total requirements to finance the deficit, cash timing adjustments, borrowing on behalf of agencies and maturing debt were \$12.6 billion. This was financed by short-term borrowing of \$0.4 billion, a decrease in liquid reserves of \$2.9 billion and long-term borrowing of \$9.3 billion.
- ◆ With a deficit of \$3.2 billion and maturing debt of \$6.4 billion, 1998–99 marked the second year in a row that borrowing to refinance maturing debt exceeded borrowing to finance the deficit. While debt maturing in fiscal year 1998–99 had a weighted-average interest rate of 8.59 per cent, the Province was able to refinance this debt at a weighted-average rate of 5.61 per cent.
- ◆ The Province reopened its 30-year benchmark bond in March 1999 at a yield of 5.78 per cent, the lowest yield at which the Province had ever issued a 30-year public bond.

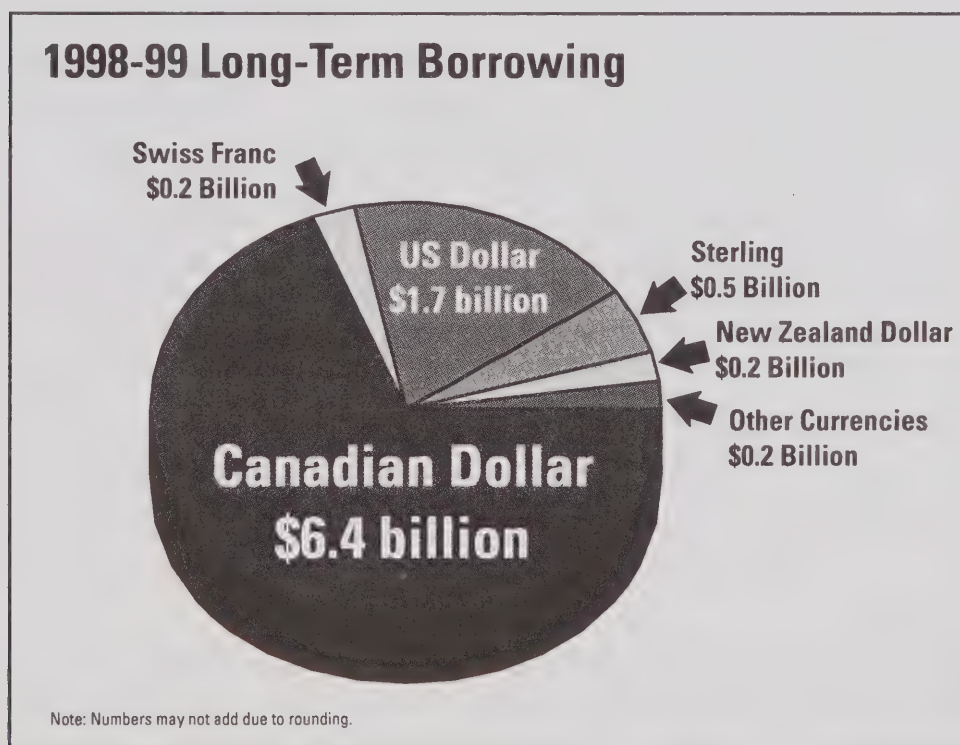
### Ontario Hydro Borrowing

To meet the former Ontario Hydro's financing requirements in a cost-effective manner, the Province issued \$1.5 billion of debt on its behalf in the last quarter of 1998 and first quarter of 1999. The Province received Ontario Hydro securities bearing like terms and conditions in return for the proceeds of these issues.

## Accessing Foreign Markets

The Province's flexible approach to borrowing allows it to take advantage of cost-effective financing opportunities. This is particularly important during periods of high market volatility. While the domestic market remained the primary source of funds, foreign markets were accessed when they provided lower-cost financing opportunities.

- ◆ Of the \$9.3 billion long-term financing program, \$6.4 billion was raised in Canadian dollars, including \$2.0 billion from the fourth annual Ontario Savings Bonds campaign.
- ◆ The Province successfully raised the equivalent of \$1.5 billion Canadian through a U.S. Dollar Global issue, its first since February 1996.
- ◆ The Province also issued the Canadian dollar equivalent of \$472 million in Sterling, \$249 million in Swiss Francs, \$105 million in Japanese Yen, \$207 million in New Zealand dollars, \$48 million in Greek Drachma, \$46 million in Euro, and an additional \$193 million in U.S. Dollars.





## Prudent Debt Management

In order to mitigate the financial risks inherent in having a large and diversified debt portfolio, it is important to maintain prudent debt management policies. The Ontario Financing Authority uses financial options and swaps to manage the Province's exposure to fluctuations in interest rates and foreign currency exchange rates. Current debt management policies require that:

- ◆ Floating rate debt (net of liquid reserves) not exceed 20 per cent of total Provincial Purpose Debt. For the fiscal year 1998–99, the Province's floating rate debt (net of liquid reserves) averaged 5.9 per cent, compared to the 7.3 per cent average in fiscal year 1997–98. As of March 31, 1999, floating rate debt (net of liquid reserves) amounted to 6.7 per cent of total Provincial Purpose Debt.
- ◆ No more than five per cent of total Provincial Purpose Debt can be left exposed to fluctuations in foreign currencies. For the fiscal year, the Province's foreign exchange exposure averaged 1.0 per cent of total Provincial Purpose Debt outstanding, compared to 0.6 per cent in fiscal year 1997–98. As of March 31, 1999, all but 1.1 per cent of total Provincial Purpose Debt was held in Canadian dollars.

Compliance with exposure limits is monitored and reviewed by management daily and audited annually. The Ontario Financing Authority's board of directors, which reports to the Minister of Finance, receives regular reports on debt management plans and risk exposures.

## 1999–00 Financing Program

### 1999–00 Financing Program (\$ Billions)

	1997–98 Final	1998–99 Budget Plan	1998–99 Interim	1999–00 Budget Plan
Deficit	4.0	4.2	3.2	2.1
Cash Timing Adjustments	0.2	3.8	2.9	3.2
Cash Requirements	4.2	8.0	6.1	5.3
Maturities	5.8	5.8	6.4	8.1
Borrowing on Behalf of Agencies	(0.1)	0.3	0.1	(1.4)
<b>Total Financing Requirements</b>	<b>9.8</b>	<b>14.1</b>	<b>12.6</b>	<b>12.0</b>
Financed By:				
(Increase)/Decrease in Liquid Reserves	0.3	3.0	2.9	0.6
Other Sources	(0.4)	(0.1)	—	—
Canada Pension Plan Borrowing	—	—	—	0.9
Increase/(Decrease) in Short-term Borrowing	(1.3)	2.0	0.4	1.8
Long-term Borrowing Completed	11.3	0.8	9.3	0.6
Long-term Borrowing Planned	—	8.4	—	8.1
<b>Total Financing</b>	<b>9.8</b>	<b>14.1</b>	<b>12.6</b>	<b>12.0</b>

Positive cash timing adjustments reflect cash flowing in a given year on expenditures accounted for in previous years' deficits. The deficit is determined on an accrual basis and reports the gap between revenues and expenses attributed to the reporting period. Numbers may not add due to rounding.

- ◆ Provincial financing requirements for 1999–00 are estimated to be \$12.0 billion. With a deficit of only \$2.1 billion, the focus of the financing program will be on refinancing \$8.1 billion of maturing debt.
- ◆ The domestic market will continue to be the main source of financing for the Province, including the fifth Ontario Savings Bonds campaign in June. The Ontario Financing Authority will monitor international capital markets for cost-effective borrowing opportunities, while following prudent debt management policies and practices.

- ◆ Fiscal year 1999–00 will mark the first time since the early 1990s that surplus funds from the Canada Pension Plan will be available to the Province to refinance maturing debt. By borrowing \$0.9 billion directly from the Canada Pension Plan, the Province will save on the commissions and fees that would otherwise be charged in the public market.
- ◆ The Ontario Financing Authority plans to develop a Canadian Medium-Term Note program on behalf of the Province in 1999–00. This will facilitate the issuance of medium-term domestic debt by streamlining the documentation process and allowing the Province to take advantage of smaller-sized retail borrowing opportunities that would not have been cost-effective in the past.

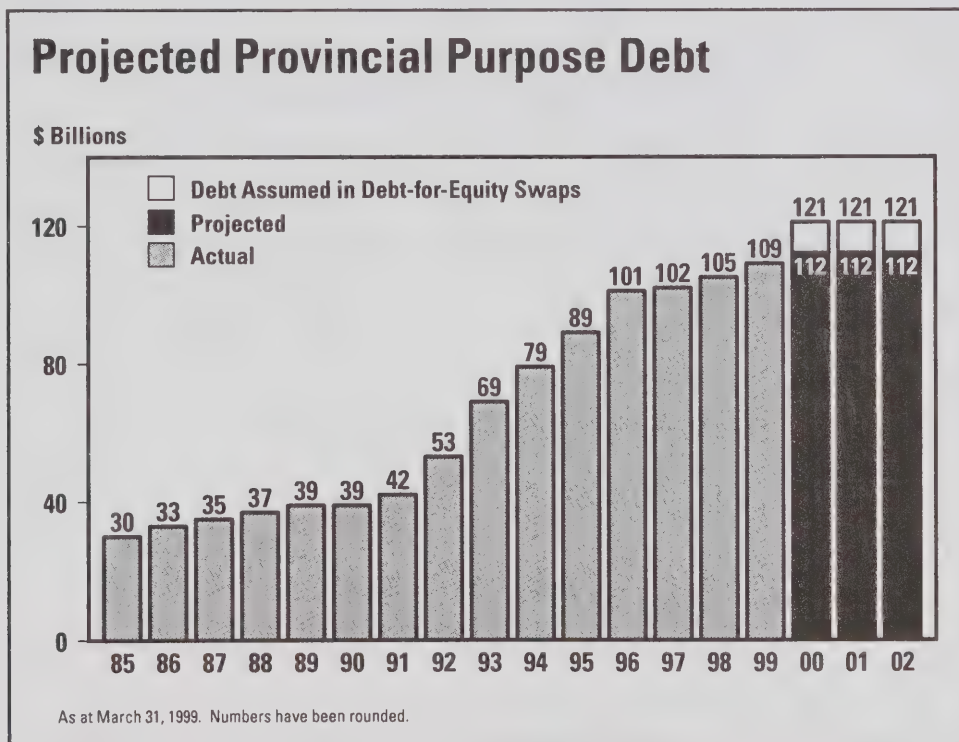
### **Ontario Electricity Financial Corporation**

The Ontario Financing Authority, on behalf of the Ontario Electricity Financial Corporation (OEFC), will provide the required debt and cash management, banking and accounting services to ensure proper management of the outstanding provincially guaranteed debt of the former Ontario Hydro. It is estimated that the OFA will need to borrow \$2.2 billion on behalf of the OEFC in 1999–00 to finance maturing debt.

## Debt Outlook

Effective April 1, 1999, total Provincial Purpose Debt increased by \$8.9 billion as a result of a debt-for-equity swap with each of Ontario Power Generation and Ontario Hydro Services Company. The increase in debt has been offset by an equivalent increase in *Investments in Government Enterprises* of \$8.9 billion, reflecting 100 per cent of the equity in Ontario Power Generation and Ontario Hydro Services Company. Over the long term, the equity returns generated by the new companies are expected to more than offset the costs of servicing the debt assumed in the debt-for-equity swaps.

Total Provincial Purpose Debt as of March 31, 2000 is forecast to be \$112.3 billion, excluding the \$8.9 billion in debt assumed from the debt-for-equity swaps. Under the Balanced Budget Plan, the deficit will be eliminated by 2000–01, at which time the Government will be in a position to begin paying down its accumulated debt.







## **PAPER D**

### **Appendix: Financial Tables**

Table I (A): Summary of Provincial Purpose Debt

Table I (B): Ontario's Debt Maturity Schedule

Table I (C): Description of Derivative Financial Instruments

Table II: Schedule of Outstanding Debt Incurred by the  
Province of Ontario

**FINANCIAL TABLES**  
**TABLE I(A)**  
**SUMMARY OF PROVINCIAL PURPOSE DEBT<sup>(1)</sup>**  
 As at March 31

	1995	1996 <sup>(3)</sup>	1997 <sup>(3)</sup>	1998 <sup>(3)</sup>	Interim 1999 <sup>(3)</sup>
(in millions)					
<b>Incurred by the Province</b>					
Non-Public Debt					
Minister of Finance of Canada:					
Canada Pension Plan .....	\$12,404	\$ 11,620	\$ 10,807	\$ 9,956	\$ 9,085
Other .....	8	4	---	---	---
Ontario Teachers' Pension Fund .....	\$12,412	\$ 11,624	\$ 10,807	\$ 9,956	\$ 9,085
Ontario Municipal Employees Retirement Fund (OMERS) <sup>(5)</sup> .....	14,584	14,386	14,049	13,822	13,213
Colleges of Applied Arts and Technology Pension Plan <sup>(5)</sup> .....	1,015	742	722	697	666
Ryerson Retirement Pension Plan .....	---	91	91	91	89
Canada Mortgage and Housing Corporation .....	16	16	9	9	8
Public Service Pension Fund .....	264	258	251	244	236
Ontario Public Service Employees' Union Pension Fund (OPSEU) .....	3,976	3,884	3,790	3,681	3,604
	1,859	1,816	1,772	1,749	1,712
	\$34,126	\$ 32,817	\$ 31,491	\$ 30,249	\$ 28,613
<b>Publicly Held Debt</b>					
Debentures and Bonds <sup>(2)</sup> .....	\$49,522	\$ 60,888	\$ 61,939	\$ 68,199	\$ 72,489
Treasury Bills .....	1,921	1,716	2,071	675	950
U.S. Commercial Paper <sup>(2)</sup> .....	142	177	---	---	272
	\$51,585	\$ 62,781	\$ 64,010	\$ 68,874	\$ 73,711
<b>Total Debt Incurred by the Province for Provincial Purposes</b>	\$85,711	\$ 95,598	\$ 95,501	\$ 99,123	\$ 102,324
<b>Incurred by Government Service Organizations</b>					
Non-Public					
Canada Pension Plan <sup>(4)</sup> .....	\$ 79	\$ 1,402	\$ 1,402	\$ 1,402	\$ 1,402
Canada Mortgage and Housing Corporation .....	---	1,038	1,021	1,002	978
Public					
Other .....	---	18	35	18	18
Collateralized Financing <sup>(2)</sup> .....	---	430	433	437	444
<b>Total Debt Incurred by Government Service Organizations for Provincial Purposes</b>	\$ 79	\$ 2,888	\$ 2,891	\$ 2,859	\$ 2,842
<b>Total Debt Incurred for Provincial Purposes</b>	\$85,790	\$ 98,486	\$ 98,392	\$101,982	\$ 105,166
<b>Other</b>					
Province of Ontario Savings Office .....	\$ 2,089	\$ 2,220	\$ 2,135	\$ 2,245	\$ 2,483
Other Liabilities <sup>(4)</sup> .....	701	690	984	1,247	1,391
<b>Subtotal</b>	\$ 2,790	\$ 2,910	\$ 3,119	\$ 3,492	\$ 3,874
<b>Total Provincial Purpose Debt<sup>(6)</sup></b>	\$88,580	\$101,396	\$101,511	\$105,474	\$ 109,040

Source: Ontario Ministry of Finance

(1) Prepared on the basis of modified accrual and consolidation accounting.

(2) All balances are expressed in Canadian dollars. The balances above reflect the effect of related derivative contracts entered into by the Province.

(3) Figures for Interim 1998-99 and fiscal 1997-98, 1996-97 and 1995-96 reflect the change in status of Ontario Housing Corporation ("OHC") and GO Transit to Government Service Organizations, which are consolidated on a line-by-line basis. Fiscal 1994-95 has not been restated and reflect OHC and GO Transit as Government Enterprises, which are consolidated on the modified equity basis. Therefore, comparisons of information from fiscal 1994-95 with fiscal 1995-96, 1996-97, 1997-98 and Interim 1998-99 may not be meaningful.

(4) Figures for fiscal 1994-95 through Interim 1998-99 include the reclassification of \$79 million from Other Liabilities to "Canada Pension Plan" debt.

(5) The original debentures payable to OMERS were replaced effective December 31, 1995, with debentures payable to OMERS and to Colleges of Applied Arts and Technology Pension Plan, in the amounts of \$741.6 million and \$90.9 million, respectively. The terms and conditions remain the same as those of the original debentures.

(6) The total Provincial Purpose Debt does not include debt issued on behalf of Ontario Hydro, which is offset by bonds of Ontario Hydro bearing like terms and conditions to the Ontario obligations.

**TABLE I(B)**  
**ONTARIO'S DEBT MATURITY SCHEDULE**  
**Interim 1999<sup>(1)</sup>**

Year Ending March 31	Debt Incurred for Provincial Purposes			Ontario Hydro Purposes <sup>(3)</sup>	
	Publicly Held Debt <sup>(2)</sup>	Non-Public Debt	Total	Canadian Dollar- Denominated	Total Debt Incurred for Provincial Purposes and Ontario Hydro
2000 .....	6,979 <sup>(4)</sup>	2,106	9,085	0	9,085
2001 .....	6,471	1,304	7,775	500	8,275
2002 .....	6,404	1,465	7,869	500	8,369
2003 .....	8,916	2,560	11,476	0	11,476
2004 .....	4,974	2,515	7,489	0	7,489
2000-04 .....	33,744	9,950	43,694	1,000	44,694
2005-09 .....	21,158	10,846	32,004	2,597	34,601
2010-14 .....	1,615	8,798	10,413	651	11,064
2015-19 .....	4	710	714	0	714
2020-24 .....	4,501	578	5,079	0	5,079
2025-49 .....	13,151	111	13,262	0	13,262
	74,173	30,993	105,166	4,248	109,414

(1) Prepared on the basis of modified accrual and consolidation accounting.

(2) All balances are expressed in Canadian dollars. The balances above reflect the effect of related derivative contracts entered into by the Province.

(3) This debt is offset by bonds of Ontario Hydro bearing like terms and conditions to the Ontario obligations. Pursuant to the *Ontario Electricity Act, 1998*, the Ontario Electricity Financial Corporation (OEFEC) was established as a continuation of Ontario Hydro on April 1, 1999.

(4) Includes \$950 million in Treasury Bills and \$272 million in U.S. Commercial Paper.



**TABLE I(C)**  
**DESCRIPTION OF DERIVATIVE FINANCIAL INSTRUMENTS**

The table below presents a preliminary maturity schedule of the Province's derivative financial instruments, by type, outstanding at March 31, 1999, based on the notional amounts of the contracts.

The Province has had sizeable financing requirements, generally to refinance maturing indebtedness and to fund the annual deficit of the Province. To meet these financing requirements in the most cost-effective manner, the Province has issued a variety of debt instruments in domestic and international markets. To take advantage of favourable interest rates, the Province issues debt instruments that are repayable in numerous currencies other than Canadian dollars. The Province employs prudent debt management strategies and operates within strict limits to ensure exposure to risk is well managed. A variety of strategies are used, including the use of derivative financial instruments ("derivatives").

Derivatives are financial contracts, the value of which is derived from underlying assets. The Province uses derivatives for the purpose of hedging and to minimize interest costs. Hedges are created primarily through swaps, which are legal arrangements, the effect of which is that each party agrees to exchange with another party, cash flows on a notional amount during a specified period in order to offset or effectively convert its existing obligations. Other derivative instruments used by the Province include forward foreign exchange contracts, forward rate agreements, futures and options.

**DERIVATIVE PORTFOLIO NOTIONAL VALUE**  
**as at March 31, 1999**

<b>Maturity in Fiscal Year</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>6-10 Years</b>	<b>Over 10 Years</b>	<b>Interim 1999 Total</b>	<b>1997-98 Total</b>
(in millions)									
Swaps:									
Cross-Currency .....	6,460	5,641	6,257	7,904	3,413	13,590	915	44,180	43,861
Interest Rate .....	4,181	4,702	3,691	8,638	1,657	16,661	606	40,136	35,746
Forward Foreign Exchange Contracts .....	1,094							1,094	1,677
Forward Rate Agreements .....	600							600	200
Futures .....	417							417	867
Options (FX & BOND) .....	241	60						301	345
	12,993	10,403	9,948	16,542	5,070	30,251	1,521	86,728	82,696

**Definitions:**

**Notional value:** represents the volume of outstanding contracts. It does not represent cash flows.

**Swap:** a legal arrangement, the effect of which is that each of the parties (the counterparties) takes responsibility for a financial obligation incurred by the other counterparty. An interest rate swap exchanges floating interest payments for fixed interest payments or vice versa. A cross-currency swap exchanges principal and interest payments in one currency for cash flows in another currency.

**Forward foreign exchange contract:** an agreement between two parties to set exchange rates in advance.

**Forward rate agreement (FRA):** an agreement between two parties to set future borrowing/lending rates in advance.

**Future:** a contract that confers an obligation to buy/sell a commodity at a specified price and amount, on a future date.

**Option:** a contract that confers a right but not the obligation to buy/sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a fixed future period.

**TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario  
Interim as at March 31, 1999**

Date of Maturity	Date of Issue	Series	Interest Rate	Original Issue	Outstanding	References
			%	\$	\$	
<b>Debt Incurred for Provincial Purposes</b>						
<b>(A) PAYABLE IN CANADA IN CANADIAN DOLLARS</b>						
<b>NON-PUBLIC DEBT</b>						
<b>To Minister of Finance of Canada</b>						
<b>Canada Pension Plan Investment Fund:</b>						
Year ending March 31						
2000	1980	CPP	9.98 to 12.74	987,943,000	987,943,000	
2001	1981	CPP	12.50 to 13.39	537,872,000	537,872,000	
2002	1982	CPP	13.66 to 16.10	768,736,000	768,736,000	
2003	1983	CPP	12.01 to 16.53	1,235,751,000	1,235,751,000	
2004	1984	CPP	10.92 to 12.14	1,200,847,000	1,200,847,000	
2005	1985	CPP	12.08 to 14.06	1,133,182,000	1,133,182,000	
2006	1986	CPP	10.58 to 12.57	1,213,502,000	1,213,502,000	
2007	1987	CPP	9.36 to 10.17	232,269,000	232,269,000	
2008	1988	CPP	10.79	42,300,000	42,300,000	
2012	1992	CPP	9.81 to 10.04	987,249,000	987,249,000	
2013	1993	CPP	9.17 to 9.45	700,137,000	700,137,000	
2019	1999	CPP	5.81 to 5.84	45,270,000	45,270,000	
					<u>9,085,058,000</u>	(5)
<b>To Ontario Teachers' Pension Fund:</b>						
Year ending March 31						
2000	1975-1991	TI	8.39 to 13.13	960,288,107	960,288,107	
2001	1981-1991	TI	11.05 to 11.10	717,238,319	717,238,319	
2002	1977-1991	TI	9.54 to 10.11	492,524,321	492,524,321	
2003	1978-1991	TI	9.82 to 10.53	655,570,855	655,570,855	
2004	1982-1984	TI	12.88 to 13.34	900,000,000	900,000,000	
2005	1984-1991	TI	12.60 to 13.27	821,000,000	821,000,000	
2006	1985-1991	TI	11.07 to 14.40	1,070,000,000	1,070,000,000	
2007	1985-1991	TI	10.26 to 13.01	1,185,000,000	1,185,000,000	
2008	1983-1991	TI	10.15 to 15.38	1,945,000,000	1,945,000,000	
2009	1986-1991	TI	10.98 to 11.50	1,465,000,000	1,465,000,000	
2010	1986-1991	TI	10.22 to 11.24	1,236,000,000	1,236,000,000	
2011	1987	TI	10.11 to 10.32	560,000,000	560,000,000	
2012	1988-1991	TI	10.68 to 11.24	580,000,000	580,000,000	
2013	1989-1991	TI	11.06 to 11.31	625,000,000	625,000,000	
					<u>13,212,621,602</u>	(1)

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate	Original Issue	Outstanding	References
			%	\$	\$	
<b>To Ontario Municipal Employees Retirement Fund:</b>						
Year ending March 31						
2000	1996	MER	8.19	43,849,567	43,849,567	
2001	1996	MER	9.10	52,494,948	52,494,948	
2002	1996	MER	7.85	67,500,000	67,500,000	
2003	1996	MER	8.02 to 10.28	235,259,824	235,259,824	
2004	1996	MER	9.45	163,695,000	163,695,000	
2007	1996	MER	9.77	102,675,000	<u>102,675,000</u>	
					<u>665,474,339</u>	(1)/(38)
<b>To College of Applied Arts &amp; Technology Pension Plan:</b>						
Year ending March 31						
2000	1996	CAAT	8.19	2,850,433	2,850,433	
2001	1996	CAAT	9.10	5,105,052	5,105,052	
2002	1996	CAAT	7.85	7,500,000	7,500,000	
2003	1996	CAAT	8.02 to 10.28	30,540,176	30,540,176	
2004	1996	CAAT	9.45	24,255,000	24,255,000	
2007	1996	CAAT	9.77	18,625,000	<u>18,625,000</u>	
					<u>88,875,661</u>	(1)/(38)
<b>To Ryerson Retirement Pension Plan:</b>						
Year ending March 31						
2000	1995	RRPF	11.53	494,883	494,883	(1)
2001	1995	RRPF	13.40	586,257	586,257	(1)
2002	1995	RRPF	16.95	732,095	732,095	(1)
2003	1995	RRPF	14.65	926,036	926,036	(1)
2004	1995	RRPF	12.78	1,081,061	1,081,061	(1)
2005	1995	RRPF	13.33	1,229,597	1,229,597	(1)
2006	1995	RRPF	11.16	1,464,199	1,464,199	
2007	1995	RRPF	9.64	1,618,485	<u>1,618,485</u>	(1)
					<u>8,132,613</u>	(1)

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate	Original Issue	Outstanding	References
			%	\$	\$	
<b>To Canada Mortgage and Housing Corporation:</b>						
Year ending March 31						
2000-2003	1971 to 1978	CMHC	5.30	688,415	167,157	
2000-2004	1974 to 1975	CMHC	5.125 to 7.875	1,296,489	418,546	
2000-2005	1971 to 1975	CMHC	5.125 to 8.625	2,754,646	1,060,838	
2000-2006	1973 to 1976	CMHC	5.125 to 10.375	2,200,837	1,125,966	
2000-2007	1974 to 1977	CMHC	5.375 to 10.375	6,049,712	3,411,142	
2000-2010	1970 to 1975	CMHC	5.75 to 6.875	4,312,601	2,244,439	
2000-2011	1971 to 1976	CMHC	5.375 to 8.25	5,876,136	3,716,413	
2000-2012	1972	CMHC	6.875 to 8.25	7,281,714	4,723,299	
2000-2013	1973	CMHC	7.25 to 8.25	1,252,053	861,313	
2000-2014	1974	CMHC	6.125 to 8.25	19,734,125	13,794,046	
2000-2015	1975	CMHC	7.50 to 10.375	11,488,523	8,438,110	
2000-2016	1976	CMHC	5.375 to 10.75	22,775,312	17,649,793	
2000-2017	1977	CMHC	7.625 to 10.75	15,797,368	12,886,852	
2000-2018	1977 to 1978	CMHC	7.625 to 13.00	38,133,367	32,557,710	
2000-2019	1977 to 1980	CMHC	7.625 to 15.25	41,958,001	36,688,460	
2000-2020	1978 to 1980	CMHC	7.625 to 15.75	65,976,661	58,407,766	
2000-2021	1981	CMHC	9.50 to 15.75	30,946,135	27,886,449	
2000-2022	1982	CMHC	9.75 to 15.75	1,177,064	<u>1,090,947</u>	
					<u>227,129,246</u>	(7)
<b>To Canada Mortgage and Housing Corporation (CMHC) Section 40 Debt:</b>						
2002	1982	CMHC	7.099	36,967,243	<u>9,279,500</u>	
					<u>9,279,500</u>	(7)
<b>Total to Canada Mortgage and Housing Corporation</b>					<u>236,408,746</u>	(2)
<b>To Public Service Pension Fund:</b>						
Year ending March 31						
2000	1997	OPB	8.39 to 10.17	63,070,663	31,535,332	
2001	1997	OPB	10.04 to 11.61	75,635,207	75,635,207	
2002	1997	OPB	10.10 to 13.48	101,778,265	101,778,265	
2003	1997	OPB	9.81 to 17.11	128,554,996	128,554,996	
2004	1997	OPB	9.50 to 14.81	134,530,331	134,530,331	
2005	1997	OPB	9.82 to 12.89	160,431,479	160,431,479	
2006	1997	OPB	11.05 to 13.48	172,212,515	172,212,515	
2007	1997	OPB	11.16 to 13.47	188,766,466	188,766,466	
2008	1997	OPB	15.38 to 15.51	218,362,903	218,362,903	
2009	1997	OPB	12.79 to 12.89	264,512,886	264,512,886	
2010	1997	OPB	12.88 to 13.02	273,669,452	273,669,452	
2011	1997	OPB	13.33 to 13.48	282,994,558	282,994,558	
2012	1997	OPB	11.55 to 11.67	336,229,108	336,229,108	
2013	1997	OPB	10.38 to 10.40	374,479,804	374,479,804	
2014	1997	OPB	11.10 to 11.19	409,677,031	409,677,031	
2015	1997	OPB	11.19 to 11.31	450,938,707	<u>450,938,707</u>	
					<u>3,604,309,040</u>	(1)/(23)/(65)



TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate	Original Issue	Outstanding	References
			%	\$	\$	
<b>To Public Service Employees' Union Pension Fund:</b>						
Year ending March 31						
2000	1997	OPPT	8.39 to 10.17	29,962,010	14,981,005	
2001	1997	OPPT	10.04 to 11.61	35,930,854	35,930,854	
2002	1997	OPPT	10.10 to 13.48	48,350,235	48,350,235	
2003	1997	OPPT	9.81 to 17.11	61,070,644	61,070,644	
2004	1997	OPPT	9.50 to 14.81	63,909,254	63,909,254	
2005	1997	OPPT	9.82 to 12.89	76,213,714	76,213,714	
2006	1997	OPPT	11.05 to 13.48	81,810,350	81,810,350	
2007	1997	OPPT	11.16 to 13.47	89,674,381	89,674,381	
2008	1997	OPPT	15.38 to 15.51	103,734,305	103,734,305	
2009	1997	OPPT	12.79 to 12.89	125,658,067	125,658,067	
2010	1997	OPPT	12.88 to 13.02	130,007,936	130,007,936	
2011	1997	OPPT	13.33 to 13.48	134,437,870	134,437,870	
2012	1997	OPPT	11.55 to 11.67	159,727,189	159,727,189	
2013	1997	OPPT	10.38 to 10.40	177,898,359	177,898,359	
2014	1997	OPPT	11.10 to 11.19	194,618,964	194,618,964	
2015	1997	OPPT	11.19 to 11.31	214,220,513	<u>214,220,513</u>	
					<u>1,712,243,640</u>	(1)(23)(65)
TOTAL NON-PUBLIC DEBT INCURRED					<u>28,613,123,641</u>	

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate %	Original Issue \$	Outstanding \$	References
(A) PAYABLE IN CANADA IN CANADIAN DOLLARS						
PUBLICLY HELD DEBT						
Jan. 28, 2000	Aug. 26, 1998	LV	10.756	100,836,000	100,000,000	(1)(44)
Jan. 10, 2001	Jan. 10, 1991	GH	10.875	1,050,000,000	1,050,000,000	(1)
Dec. 12, 2001	Aug. 12, 1991	GS	10.50	600,000,000	600,000,000	(1)
Apr. 22, 2003	Dec. 29, 1992	HG	8.75	750,000,000	750,000,000	(1)
Sept. 16, 2003	Sept. 16, 1998	MA	Floating	100,000,000	100,000,000	(1)(73)
Sept. 15, 2004	June 21, 1994	HU	9.00	1,450,000,000	1,450,000,000	(1)
Oct. 12, 2005	Oct. 12, 1995	JR	8.95	65,000,000	65,000,000	(45)
Dec. 1, 2005	Sept. 13, 1995	JP	8.25	1,000,000,000	1,000,000,000	(1)
Feb. 1, 2006	Feb. 1, 1999	MJ	5.00	90,000,000	90,000,000	(1)
Feb. 20, 2006	Feb. 20, 1996	JZ	0.00-17.25	107,000,000	107,000,000	(1)(40)
July 24, 2006	July 24, 1996	KE	7.75	600,000,000	600,000,000	(1)
Jan. 12, 2007	Jan. 12, 1995	JF	9.50	200,000,000	200,000,000	(1)(21)
June 27, 2007	June 27, 1997	LB	7.20	100,000,000	100,000,000	(68)
Sept. 12, 2007	Sept. 12, 1997	LE	6.125	1,000,000,000	1,000,000,000	(1)
Dec. 10, 2007	Dec. 10, 1997	LH	5.875	125,000,000	125,000,000	(1)(81)
Jul. 15, 2008	Feb. 6, 1998	LM	5.50	75,000,000	75,000,000	(70)
Sept. 4, 2008	Sept. 4, 1998	LW	6.30	50,000,000	50,000,000	(86)
Oct. 17, 2008	Oct. 17, 1996	KH	6.75-9.375	65,000,000	65,000,000	(3)
Dec. 1, 2008	Nov. 24, 1998	LZ	5.70	1,000,000,000	1,000,000,000	(1)
Apr. 1, 2009	Apr. 9, 1998	LR	6.15	205,000,000	205,000,000	(87)
Sept. 4, 2009	Sept. 4, 1997	LD	6.00-7.625	75,000,000	75,000,000	(71)
Oct. 10, 2009	Oct. 10, 1997	LG	5.875-7.00	50,000,000	50,000,000	(72)
Nov. 13, 2009	Nov. 13, 1998	MD	5.40-6.10	47,000,000	47,000,000	(88)
Mar. 2, 2010	Mar. 2, 1998	LP	6.15	60,000,000	60,000,000	(82)
Sept. 4, 2020	Sept. 4, 1998	LY	6.30	50,000,000	50,000,000	(89)
July 13, 2022	July 13, 1992	HC	9.50	1,850,000,000	1,850,000,000	(1)
Sept. 8, 2023	Sept. 8, 1993	HP	8.10	1,350,000,000	1,350,000,000	(1)
June 2, 2025	Dec. 20, 1994	JE	9.50	500,000,000	500,000,000	(1)
Dec. 2, 2025	Oct. 5, 1995	JQ	8.50	1,000,000,000	1,000,000,000	(1)
Feb. 6, 2026	Feb. 6, 1996	JY	8.00	50,000,000	50,000,000	(1)
June 2, 2026	Dec. 21, 1995	JU	8.00	1,000,000,000	1,000,000,000	(1)
Dec. 2, 2026	Dec. 2, 1996	KL	4.35-7.04	162,000,000	26,000,000	(48)
Dec. 2, 2026	Feb. 13, 1997	KR	8.00	425,000,000	425,000,000	(1)(49)
Dec. 2, 2026	Jan. 20, 1999	MH	7.00	124,584,000	124,584,000	(1)(90)
Feb. 3, 2027	Aug. 3, 1997	KN	7.50	300,000,000	124,945,000	(74)
Feb. 3, 2027	Aug. 3, 1997	KT	6.95	200,000,000	50,975,000	(75)
Feb. 3, 2027	Apr. 7, 1997	KY	7.50	68,000,000	19,549,000	(50)
Feb. 3, 2027	Dec. 4, 1998	LA	7.50	50,000,000	50,000,000	(1)(51)
Feb. 4, 2027	Feb. 4, 1998	KQ	7.375	125,000,000	28,330,000	(76)

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate	Original Issue	Outstanding	References
			%	\$	\$	
(A) PAYABLE IN CANADA IN CANADIAN DOLLARS (CONT'D)						
PUBLICLY HELD DEBT						
June 2, 2027	Oct. 17, 1996	KJ	7.60	4,000,000,000	4,000,000,000	(1)(77)
Aug. 25, 2028	Feb. 25, 1998	LQ	6.25	645,243,000	645,243,000	(1)
Mar. 8, 2029	Jan. 8, 1998	LK	6.50	3,500,000,000	3,500,000,000	(1)
Jan. 13, 2031	Sept. 8, 1995	JN	9.50	125,000,000	125,000,000	(1)
Nov. 3, 2034	Nov. 3, 1994	HY	9.75	280,000,000	280,000,000	(1)
Jan. 10, 1995 to	Nov. 30, 1994	HZ	9.4688	189,616,626	121,880,367	(1)(24)
Jan. 10, 2035	"	JA	9.4688	24,766,559	24,766,559	(1)(24)
"	"	JB	9.4688	8,482,324	8,482,324	(1)(24)
"	"	JC	9.4688	4,764,354	4,764,354	(1)(24)
"	"	JD	9.4688	3,171,134	3,171,134	(1)(24)
Feb. 8, 2035	Feb. 8, 1995	JJ	9.875	73,000,000	73,000,000	(19)
June 20, 2036	June 20, 1996	KC	8.25	211,000,000	211,000,000	(1)
June 20, 2038	Sept. 16, 1996	KG	8.10	120,000,000	120,000,000	(1)
July 13, 2038	July 29, 1998	LS	5.75	50,000,000	50,000,000	(1)
Aug. 25, 2038	Aug. 17, 1998	LT	6.00	100,000,000	100,000,000	(91)
July 13, 2039	Feb. 2, 1999	MK	5.65	141,000,000	141,000,000	(1)
Jan. 10, 2045	May 25, 1995	JL	8.39	35,531,176	35,531,176	(1)(41)
Mar. 1, 2045	Mar. 1, 1995	JK	9.50	150,000,000	150,000,000	(20)
					<u>25,207,221,914</u>	
ONTARIO SAVINGS BONDS						
Mar. 1, 2000	Mar. 1, 1995	Annual	Variable	789,297,500	545,280,900	(29)
Mar. 1, 2000	Mar. 1, 1995	Compound	Variable	817,902,500	526,354,800	(29)
June 21, 2000	June 21, 1997	Annual	Fixed	281,498,800	286,033,800	(6)(30)
June 21, 2000	June 21, 1997	Compound	Fixed	168,756,600	162,649,100	(30)
June 21, 2001	June 21, 1996	Annual	Step-Up	279,338,000	274,164,100	(62)(63)
June 21, 2001	June 21, 1996	Compound	Step-Up	337,518,000	306,825,300	(62)(63)
June 21, 2001	June 21, 1996	Annual	Variable	219,990,000	62,571,800	(62)(64)
June 21, 2001	June 21, 1996	Compound	Variable	194,579,100	59,109,900	(62)(64)
June 21, 2001	June 21, 1998	Annual	Fixed	101,725,500	102,258,500	(6)(30)
June 21, 2001	June 21, 1998	Compound	Fixed	78,706,000	77,960,500	(30)
June 21, 2003	June 21, 1998	Annual	Step-Up	439,199,300	431,170,300	(62)(92)
June 21, 2003	June 21, 1998	Compound	Step-Up	404,053,600	397,989,600	(62)(92)
June 21, 2004	June 21, 1997	Annual	Step-Up	447,763,300	448,017,800	(6)(62)(66)
June 21, 2004	June 21, 1997	Compound	Step-Up	451,525,200	399,806,400	(62)(66)
June 21, 2004	June 21, 1997	Annual	Variable	107,533,500	41,567,400	(62)(67)
June 21, 2004	June 21, 1997	Compound	Variable	80,484,400	30,720,200	(62)(67)
June 21, 2005	June 21, 1998	Annual	Variable	495,453,600	419,621,000	(62)(93)
June 21, 2005	June 21, 1998	Compound	Variable	435,985,400	355,472,100	(62)(93)
					<u>4,927,573,500</u>	(1)
TOTAL PAYABLE IN CANADA IN CANADIAN DOLLARS.....					<u>30,134,795,414*</u>	

\*Excludes Ontario Treasury Bills of \$950,000,000

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate	Original Issue	Outstanding	References
			%	\$	\$	
<b>(B) GLOBAL MARKET PAYABLE IN CANADIAN DOLLARS</b>						
Mar. 11, 2003	Mar. 11, 1993	HK	8.00	1,500,000,000	1,500,000,000	
Dec. 8, 2003	July 20, 1993	HM	7.75	1,250,000,000	1,250,000,000	
Jan. 19, 2006	Jan. 19, 1996	JV	7.50	1,250,000,000	1,250,000,000	
Feb. 7, 2024	Feb. 7, 1994	HS	7.50	1,250,000,000	<u>1,250,000,000</u>	
TOTAL PAYABLE IN CANADIAN DOLLARS .....					<u>5,250,000,000</u>	(1)
<b>(C) PAYABLE IN EUROPE IN CANADIAN DOLLARS</b>						
July 22, 1999	July 22, 1996	EMTN020	6.25	100,000,000	100,000,000	
Apr. 5, 2001	Feb. 22, 1996	JW	6.23	510,125,000	510,125,000	(42)
Oct. 29, 2001	Oct. 29, 1991	GX	9.75	750,000,000	750,000,000	
Nov. 6, 2001	Nov. 6, 1998	MC	5.00	100,000,000	100,000,000	
Nov. 27, 2003	Nov. 27, 1998	ME	5.00	250,000,000	250,000,000	
Sept. 27, 2005	Sept. 27, 1993	HQ	7.25	500,000,000	500,000,000	
Jan. 27, 2009	Jan. 27, 1999	EMTN042	5.00	250,000,000	250,000,000	
July 13, 2034	July 13, 1994	EMTN005	9.40	300,000,000	<u>300,000,000</u>	
TOTAL PAYABLE IN EUROPE IN CANADIAN DOLLARS .....					<u>2,760,125,000</u>	(1)
<b>(D) PAYABLE IN UNITED STATES IN CANADIAN DOLLARS</b>						
Feb. 18, 2013	Feb. 18, 1993	HJ	9.24	250,000,000	<u>250,000,000</u>	(1)
TOTAL PAYABLE IN UNITED STATES IN CANADIAN DOLLARS .....					<u>250,000,000</u>	
<b>(E) PAYABLE IN THE UNITED STATES IN U.S. DOLLARS</b>						
Oct. 17, 2001	Oct. 17, 1991	GY	8.00	750,000,000	<u>750,000,000</u>	(1)
TOTAL PAYABLE IN UNITED STATES IN U.S. DOLLARS .....					<u>750,000,000</u>	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.18125 .....					<u>885,937,495</u>	(10)
<b>(F) GLOBAL MARKET PAYABLE IN U.S. DOLLARS</b>						
Aug. 17, 1999	Feb. 17, 1994	HT	Floating	2,000,000,000	2,000,000,000	(34)
June 28, 2000	June 28, 1993	HL	6.125	2,000,000,000	2,000,000,000	
June 4, 2002	June 4, 1992	HB	7.75	2,000,000,000	2,000,000,000	
Jan. 27, 2003	Jan. 27, 1993	HH	7.375	3,000,000,000	3,000,000,000	
June 22, 2004	June 22, 1994	HV	7.375	1,000,000,000	1,000,000,000	
Aug. 4, 2005	Aug. 4, 1995	JM	7.00	1,000,000,000	1,000,000,000	
Feb. 21, 2006	Feb. 21, 1996	KA	6.00	1,500,000,000	1,500,000,000	
Oct. 1, 2006	Oct. 1, 1998	MB	5.50	1,000,000,000	<u>1,000,000,000</u>	
TOTAL PAYABLE IN U.S. DOLLARS .....					<u>13,500,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.32586 .....					<u>17,899,132,500</u>	(43)



TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate	Original Issue	Outstanding	References
			%	\$	\$	
<b>(G) PAYABLE IN CANADA IN U.S. DOLLARS</b>						
Apr. 24, 2005	Apr. 24, 1995	DMTN1	Floating	100,000,000	100,000,000	
May 1, 2005	May 1, 1995	DMTN2	Floating	100,000,000	100,000,000	
May 9, 2005	May 9, 1995	DMTN3	Floating	100,000,000	100,000,000	
May 16, 2005	May 16, 1995	DMTN4	Floating	100,000,000	<u>100,000,000</u>	
TOTAL PAYABLE IN CANADA IN U.S. DOLLARS .....					<u>400,000,000</u>	(35)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.36625 .....					<u>546,500,000</u>	(9)
<b>(H) PAYABLE IN EUROPE IN U.S. DOLLARS</b>						
Nov. 18, 1999	Nov. 18, 1996	EMTN27	6.00	60,000,000	60,000,000	(1)
Nov. 18, 1999	Nov. 18, 1996	EMTN028	5.15	¥10,000,000,000	89,007,600	(8)
Dec. 17, 1999	Dec. 17, 1996	EMTN30	6.00	¥5,000,000,000	44,648,800	(1)(25)
Jan. 27, 2000	Jan. 30, 1997	EMTN32	5.60	70,000,000	70,000,000	(1)
Nov. 7, 2000	Nov. 7, 1995	EMTN18	5.75	200,000,000	200,000,000	(10)
Feb. 28, 2001	Feb. 28, 1991	GL	8.50	600,000,000	600,000,000	(1)
Jan. 10, 2002	Jan. 10, 1997	EMTN31	Floating	50,000,000	<u>50,000,000</u>	(26)
TOTAL PAYABLE IN EUROPE IN U.S. DOLLARS .....					<u>1,113,656,400</u>	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.23095 .....					<u>1,370,850,401</u>	(11)
<b>(I) PAYABLE IN JAPAN IN U.S. DOLLARS</b>						
July 17, 2001	July 17, 1997	LC	3.25	285,714,000	<u>285,714,000</u>	(78)
TOTAL PAYABLE IN JAPAN IN U.S. DOLLARS .....					<u>285,714,000</u>	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.25980 .....					<u>359,942,263</u>	(85)
<b>(J) PAYABLE IN JAPAN IN JAPANESE YEN</b>						
Jan. 28, 2003	Jan. 28, 1993	YL001	5.50	10,000,000,000	10,000,000,000	(1)
Mar. 24, 2003	Mar. 22, 1993	YL002	4.80	7,000,000,000	7,000,000,000	(1)
Aug. 25, 2003	Aug. 25, 1993	YL003	Floating	10,000,000,000	10,000,000,000	(1)(4)
Sept. 22, 2003	Sept. 22, 1993	YL004	5.20	10,000,000,000	10,000,000,000	(1)
July 6, 2004	July 6, 1994	YL005	4.40	10,000,000,000	10,000,000,000	(1)
July 21, 2004	July 21, 1994	YL006	4.53	10,000,000,000	10,000,000,000	(1)
July 28, 2004	July 27, 1994	YL007	4.55	7,000,000,000	7,000,000,000	(22)
Sept. 8, 2004	Sept. 7, 1994	YL008	4.71	7,000,000,000	7,000,000,000	(1)
Oct. 25, 2004	Oct. 25, 1994	YL009	5.00	10,000,000,000	10,000,000,000	(1)
Dec. 20, 2004	Dec. 20, 1994	YL010	4.80	5,000,000,000	5,000,000,000	-1
Aug. 31, 2005	Aug. 31, 1995	YL011	3.10	25,000,000,000	25,000,000,000	-1
Mar. 16, 2007	Mar. 18, 1997	KU	3.10	5,000,000,000	5,000,000,000	(1)(54)
Mar. 16, 2007	Mar. 18, 1997	KV	3.25	15,000,000,000	15,000,000,000	(1)(55)
July 18, 2007	July 18, 1997	YL012	2.615	10,000,000,000	10,000,000,000	-1
Aug. 31, 2008	Aug. 28, 1998	YL013	2.06	10,000,000,000	<u>10,000,000,000</u>	(1)(39)
TOTAL PAYABLE IN JAPAN IN JAPANESE YEN .....					<u>15,100,000,000</u>	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$0.01291 .....					<u>1,949,116,728</u>	-14

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate	Original Issue	Outstanding	References
			%	\$	\$	
<b>(K) PAYABLE IN EUROPE IN JAPANESE YEN</b>						
May 27, 1999	May 27, 1994	EMTN003	Floating	10,000,000,000	10,000,000,000	(31)
Sept. 20, 1999	Sept. 20, 1994	EMTN010	4.24	10,000,000,000	10,000,000,000	
Sept. 21, 1999	Sept. 26, 1994	EMTN011	4.43	10,000,000,000	10,000,000,000	
Nov. 29, 1999	Nov. 29, 1994	EMTN013	4.50	2,000,000,000	2,000,000,000	
Jan. 25, 2000	Jan. 30, 1995	EMTN014	Floating	10,000,000,000	10,000,000,000	(28)
July 5, 2000	July 5, 1996	EMTN019	2.05	5,000,000,000	5,000,000,000	
Sept. 19, 2000	Sept. 19, 1996	EMTN023	Floating	5,000,000,000	5,000,000,000	(56)
Sept. 26, 2000	Sept. 26, 1996	EMTN024	Floating	5,000,000,000	5,000,000,000	(56)
June 20, 2001	July 11, 1994	HW	4.40	100,000,000,000	100,000,000,000	
July 12, 2001	July 12, 1994	EMTN006	3.90	5,000,000,000	5,000,000,000	(32)
Nov. 10, 2001	Nov. 10, 1994	EMTN012	4.75	3,000,000,000	3,000,000,000	
Mar. 15, 2005	Mar. 15, 1995	EMTN015	6.00	2,000,000,000	2,000,000,000	(33)
Sept. 8, 2005	Mar. 23, 1998	EMTN037	6.21	10,000,000,000	10,000,000,000	(37)
Sept. 19, 2005	Sept. 4, 1998	EMTN038	6.205	10,000,000,000	10,000,000,000	(36)
Aug. 29, 2006	Aug. 29, 1996	EMTN021	4.28	10,000,000,000	10,000,000,000	(57)
Mar. 26, 2007	Apr. 3, 1997	EMTN033	3.20	10,000,000,000	10,000,000,000	(47)
June 13, 2007	June 13, 1997	EMTN034	3.58	10,000,000,000	10,000,000,000	(79)
Feb. 25, 2008	Feb. 25, 1998	EMTN036	2.60	7,100,000,000	<u>7,100,000,000</u>	(80)
TOTAL PAYABLE IN EUROPE IN JAPANESE YEN .....					<u>224,100,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$0.01450 .....					<u>3,249,192,777</u>	(15)
<b>(L) PAYABLE IN EUROPE IN AUSTRALIAN DOLLARS</b>						
Nov. 18, 1999	Nov. 18, 1996	EMTN026	5.72	¥7,000,000,000	79,293,060	(58)
Oct. 15, 2001	Oct. 15, 1996	EMTN025	5.00	125,000,000	<u>125,000,000</u>	
TOTAL PAYABLE IN EUROPE IN AUSTRALIAN DOLLARS .....					<u>204,293,060</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.00613 .....					<u>205,544,546</u>	(18)
<b>(M) PAYABLE IN JAPAN IN AUSTRALIAN DOLLARS</b>						
Aug. 26, 1999	Aug. 29, 1996	KF	6.00	¥25,000,000,000	<u>296,271,500</u>	(60)
TOTAL PAYABLE IN JAPAN IN AUSTRALIAN DOLLARS .....					<u>296,271,500</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.07269 .....					<u>317,808,410</u>	(52)
<b>(N) PAYABLE IN EUROPE IN DEUTSCHE MARKS</b>						
Jan. 27, 2000	Jan. 27, 1995	JH	Floating	500,000,000	500,000,000	(46)
Feb. 15, 2001	Feb. 15, 1996	JX	5.00	500,000,000	500,000,000	
Jan. 13, 2004	Jan. 13, 1994	HR	6.25	1,500,000,000	<u>1,500,000,000</u>	
TOTAL PAYABLE IN EUROPE IN DEUTSCHE MARKS .....					<u>2,500,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$0.89250 .....					<u>2,231,254,639</u>	(16)

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate	Original Issue	Outstanding	References
			%	\$	\$	
<b>(O) PAYABLE IN EUROPE IN EURO DOLLARS</b>						
Feb. 17, 2006	Feb. 17, 1999	EMTN043	3.50	27,000,000	<u>27,000,000</u>	(1)
TOTAL PAYABLE IN EUROPE IN EURO DOLLARS .....					<u>27,000,000</u>	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.6890 .....					<u>45,603,000</u>	(27)
<b>(P) PAYABLE IN EUROPE IN FRENCH FRANCS</b>						
July 29, 2008	July 29, 1996	KD	6.875	3,000,000,000	3,000,000,000	
July 21, 2009	July 21, 1997	EMTN035	5.875	3,000,000,000	<u>3,000,000,000</u>	
TOTAL PAYABLE IN EUROPE IN FRENCH FRANCS .....					<u>6,000,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$0.28491 .....					<u>1,709,459,932</u>	(53)
<b>(Q) PAYABLE IN EUROPE IN GREEK DRACHMA</b>						
June 19, 2001	June 19, 1998	EMTN040	Floating	10,000,000,000	<u>10,000,000,000</u>	(1)
TOTAL PAYABLE IN EUROPE IN GREEK DRACHMA .....					<u>10,000,000,000</u>	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$0.004903 .....					<u>49,031,053</u>	(59)
<b>(R) PAYABLE IN EUROPE IN NETHERLANDS GUILDERS</b>						
Sept. 27, 2004	Sept. 27, 1994	HX	7.75	500,000,000	<u>500,000,000</u>	
TOTAL PAYABLE IN EUROPE IN NETHERLANDS GUILDERS .....					<u>500,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$0.77542 .....					<u>387,710,000</u>	(17)
<b>(S) GLOBAL MARKET PAYABLE IN NEW ZEALAND DOLLARS</b>						
Dec. 3, 2008	Dec. 3, 1998	MF	6.25	250,000,000	<u>250,000,000</u>	
TOTAL PAYABLE IN NEW ZEALAND DOLLARS .....					<u>250,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$0.82770 .....					<u>206,925,000</u>	(69)
<b>(T) PAYABLE IN EUROPE IN NORWEGIAN KRONER</b>						
Dec. 29, 2004	Sept. 13, 1996	EMTN022	7.00	300,000,000	<u>300,000,000</u>	
TOTAL PAYABLE IN EUROPE IN NORWEGIAN KRONER .....					<u>300,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$0.21235 .....					<u>63,704,048</u>	(61)

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate	Original Issue	Outstanding	References
			%	\$	\$	
<b>(U) PAYABLE IN EUROPE IN POUNDS STERLING</b>						
Sept. 15, 2000	Sept. 15, 1993	HN	6.875	255,000,000	255,000,000	
Feb. 14, 2001	Feb. 14, 1991	GK	11.125	100,000,000	100,000,000	
July 30, 2002	July 30, 1992	HD	9.375	200,000,000	200,000,000	
June 10, 2004	June 10, 1998	EMTN039	6.375	200,000,000	200,000,000	
TOTAL PAYABLE IN EUROPE IN POUNDS STERLING .....					755,000,000	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$2.18238 .....					1,647,700,000	(12)
<b>(V) PAYABLE IN EUROPE IN SWISS FRANCS</b>						
June 29, 2001	Mar. 29, 1996	KB	4.00	250,000,000	250,000,000	
Jan. 27, 2003	Jan. 27, 1993	HF	6.25	400,000,000	400,000,000	
July 7, 2003	July 7, 1998	EMTN041	2.50	250,000,000	250,000,000	
TOTAL PAYABLE IN EUROPE IN SWISS FRANCS .....					900,000,000	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.07645 .....					968,804,139	(13)
TOTAL PUBLICLY HELD DEBENTURES AND BONDS .....					72,489,137,345	
TREASURY BILLS .....					950,000,000	(84)
<b>U.S. COMMERCIAL PAPER</b>						
June 8, 1999	Mar. 22, 1999				130,000,000	
June 11, 1999	Mar. 10, 1999				50,000,000	
TOTAL U.S. COMMERCIAL PAPER .....					180,000,000	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.50820 .....					271,475,625	
TOTAL PUBLICLY HELD DEBT INCURRED BY THE PROVINCE FOR PROVINCIAL PURPOSES .....					73,710,612,970	
TOTAL DEBT INCURRED BY THE PROVINCE FOR PROVINCIAL PURPOSES .....					102,323,736,611	



TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate	Original Issue	Outstanding	References
			%	\$	\$	
<b>Debt Incurred by Government Service Organizations</b>						
<b>(A) PAYABLE IN CANADA IN CANADIAN DOLLARS</b>						
<b>NON-PUBLIC DEBT</b>						
<b>To Minister of Finance of Canada</b>						
<b>Canada Pension Plan Investment Fund:</b>						
Year ending March 31						
2009	1989	CPP	9.15 to 10.31	310,439,000	310,439,000	
2010	1990	CPP	9.78 to 11.33	925,157,000	925,157,000	
2011	1991	CPP	9.81 to 10.04	91,630,000	91,630,000	
2012	1992	CPP	9.00 to 9.45	75,135,000	75,135,000	
					<u>1,402,361,000</u>	(5)
<b>To Canada Mortgage and Housing Corporation:</b>						
Year ending March 31						
2000	N/A	CMHC	7.98		12,888	
2001	N/A	CMHC	7.98		13,938	
2002	N/A	CMHC	7.98		15,072	
2003	N/A	CMHC	5.125 to 7.98		28,572	
2004	N/A	CMHC	5.2068 to 7.98		63,199	
2005	N/A	CMHC	5.125 to 7.98		53,910	
2006	N/A	CMHC	4.25 to 7.98		109,333	
2007	N/A	CMHC	4.6739 to 7.98		394,067	
2008	N/A	CMHC	5.875 to 7.98		291,762	
2009	N/A	CMHC	5.375 to 7.98		235,444	
2010	N/A	CMHC	6.4598 to 7.98		1,034,703	
2011	N/A	CMHC	6.4159 to 7.98		8,878,189	
2012	N/A	CMHC	5.2994 to 7.98		482,050	
2013	N/A	CMHC	5.375 to 7.98		6,588,873	
2014	N/A	CMHC	5.6206 to 7.98		19,558,944	
2015	N/A	CMHC	5.822 to 7.98		17,777,273	
2016	N/A	CMHC	6.1388 to 7.98		47,567,274	
2017	N/A	CMHC	6.2491 to 7.98		73,120,771	
2018	N/A	CMHC	7.1327 to 7.98		59,469,584	
2019	N/A	CMHC	5.875 to 7.98		63,453,514	
2020	N/A	CMHC	6.25 to 7.98		202,433,542	
2021	N/A	CMHC	5.75 to 7.98		108,708,463	
2022	N/A	CMHC	6.089 to 8.25		107,370,162	
2023	N/A	CMHC	6.089 to 7.98		82,207,689	
2024	N/A	CMHC	6.089 to 7.98		67,532,613	
2025	N/A	CMHC	6.089 to 7.98		59,443,392	
2026	N/A	CMHC	6.089 to 7.98		23,576,755	
2027	N/A	CMHC	6.089		23,877,103	
2028	N/A	CMHC	6.089		<u>3,612,009</u>	
					<u>977,911,088</u>	(7)

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate	Original Issue	Outstanding	References
			%	\$	\$	
<b>(A) PAYABLE IN CANADA IN CANADIAN DOLLARS</b>						
<b>PUBLICLY HELD DEBT</b>						
2000 to 2002	N/A	Various Mortgages	Various		<u>17,398,936</u>	
<b>(B) PAYABLE IN THE UNITED STATES IN U.S. DOLLARS</b>						
July 1, 2006	Mar. 31, 1994	Collateralized financing	7.261 to 7.395	311,866,966	<u>318,091,985</u>	
TOTAL PAYABLE IN UNITED STATES IN U.S. DOLLARS .....					<u>318,091,985</u>	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.39652 .....					<u>444,222,517</u>	
TOTAL DEBT ISSUED BY GOVERNMENT SERVICE						
ORGANIZATIONS FOR PROVINCIAL PURPOSES .....					<u>2,841,893,541</u>	
TOTAL DEBT INCURRED FOR PROVINCIAL PURPOSES .....					<u>105,165,630,152</u>	(83)

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate	Original Issue	Outstanding	References
			%	\$	\$	
<b>Debt Incurred for Ontario Hydro*</b>						
<b>(A) PAYABLE IN CANADA IN CANADIAN DOLLARS</b>						
<b>NON-PUBLIC DEBT</b>						
<b>Canada Pension Plan Investment Fund</b>						
2001	1981	CPP	11.61 to 13.46	500,000,000	500,000,000	
2002	1982	CPP	14.81 to 17.51	500,000,000	500,000,000	
2007	1987	CPP	9.64	119,000,000	119,000,000	
2008	1988	CPP	9.13 to 9.72	302,278,000	302,278,000	
2009	1989	CPP	9.62 to 10.31	675,756,000	675,756,000	
2010	1990	CPP	9.61 to 10.31	650,712,000	<u>650,712,000</u>	
TOTAL PAYABLE IN CANADA IN CANADIAN DOLLARS .....					<u>2,747,746,000</u>	(5)
<b>(B) PAYABLE IN CANADA IN CANADIAN DOLLARS</b>						
<b>PUBLICLY HELD DEBT</b>						
June 2, 2004	Dec. 9, 1998	HC-MG	4.875	1,000,000,000	1,000,000,000	
Dec. 1, 2008	Jan. 22, 1999	HC-LZ	5.70	500,000,000	<u>500,000,000</u>	
					<u>1,500,000,000</u>	
TOTAL DEBT INCURRED FOR ONTARIO HYDRO						
(NOT INCLUDED IN TABLE I(A) SUMMARY OF PROVINCIAL PURPOSE DEBT) .....						<u>4,247,746,000</u>
TOTAL DEBT INCURRED FOR PROVINCIAL PURPOSES AND ONTARIO HYDRO .....						<u>109,413,376,152</u>

\* Pursuant to the *Ontario Electricity Act, 1998*, the Ontario Electricity Financial Corporation (OEFC) was established as a continuation of Ontario Hydro on April 1, 1999.

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

## References:

1. Non-callable.
2. Liability to Canada Mortgage and Housing Corporation assumed by the Ministry of Finance upon the dissolution of Ontario Land Corporation.
3. Callable, in whole but not in part, on October 17 in each year from 1999 to 2007 at par. Interest payable is 6.75% for the first four years, 7.25% in years five and six, 8% in year seven, 8.25% in year eight, 8.75% in year nine, 9% in year ten, 9.25% in year eleven, and 9.375% in year twelve.
4. Interest payable is 6-month Yen LIBOR.
5. Securities sold to the Canada Pension Plan Investment Fund are payable 20 years after their respective dates of issue, are not negotiable and not transferable or assignable but are redeemable in whole or in part before maturity at the option of the Minister of Finance of Canada, on six months' prior notice, when the Minister deems it necessary in order to meet the requirements of the Canada Pension Plan. In the case of redemption before maturity, the Ontario Securities are to be redeemed in the order in which they were issued and the amount of Ontario Securities to be redeemed at any time shall be proportionate to the amount of all securities then held to the credit of the said fund represented by Ontario Securities.
6. The par value of bonds outstanding exceeds the original par value of bonds issued due to conversions from compound interest form bonds into annual interest form bonds.
7. The terms of these debentures require that equal payments be made each year until their maturity. Each payment consists of blended principal and interest.
8. Proceeds were received in Japanese Yen. Redemption of principal is in U.S. Dollars at an exchange rate of 112.35 Yen/U.S. Dollar. Interest is payable in Japanese Yen based on a notional Principal of JPY 10,000 million at a rate of 5.15%.
9. The Province entered into currency exchange agreements which effectively converted these U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.36625. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a fixed rate of 8.57%.
10. The Province entered into currency exchange agreements which effectively converted the U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.18125. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a fixed rate of 8.21%.
11. The Province entered into currency exchange agreements which effectively converted these U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.23095. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a fixed rate of 8.85%.
12. The Province entered into currency exchange agreements which effectively converted these Pounds Sterling obligations to Canadian Dollar obligations at an exchange rate of 2.18238. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a fixed rate of 8.32% on \$1,229 million and floating Canadian BA rate on \$352 million.
13. The Province entered into currency exchange agreements which effectively converted these Swiss Franc obligations to Canadian Dollar obligations at an exchange rate of 1.07645. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a fixed rate of 8.07% on \$455 million and floating Canadian BA rate on \$473 million.
14. The Province entered into currency exchange agreements which effectively converted substantially all of these Japanese Yen obligations to Canadian Dollar obligations at an exchange rate of 0.01291. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a fixed rate of 6.34% on \$2,321 million, and floating Canadian BA rate on \$199 million.
15. The Province entered into currency exchange agreements which effectively converted substantially all of these Japanese Yen obligations to Canadian Dollar obligations at an exchange rate of 0.01450. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a fixed rate of 8.36% on \$3,013 million, and floating Canadian BA rate on \$601 million.
16. The Province entered into currency exchange agreements which effectively converted these Deutsche Mark obligations to Canadian Dollar obligations at an exchange rate of 0.89250. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a fixed rate of 7.87% on \$1,761 million and floating Canadian BA rate on \$470 million.
17. The Province entered into currency exchange agreements which effectively converted these Netherlands Guilder obligations to Canadian Dollar obligations at an exchange rate of 0.77542. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a fixed rate of 8.44%.



TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

18. The Province entered into currency exchange agreements which effectively converted these Australian Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.00613. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a fixed rate of 6.66% on \$593 million and floating Canadian BA rate on \$19 million.
19. Retractable in whole or in part on February 8, 2007, at the holder's option, provided that the notice of retraction is made during the period from July 15, 2006 to January 15, 2007 inclusive. Such election is irrevocable.
20. Retractable in whole or in part on March 1, 2010, at the holder's option, provided that the notice of retraction is made during the period from March 1, 1995 to February 12, 2010 inclusive. Such election is irrevocable.
21. Exchangeable at any time, in whole or in part, at the holder's option, for an equivalent principal amount of Series JG 9.50% bonds due January 12, 2035.
22. Callable in full, and not in part, on July 27, 2001, at par.
23. The terms of these debentures require that the principal be repaid in 12 equal monthly payments in the year preceding the date of maturity.
24. The terms of these debentures require unequal payments, consisting of both principal and interest, to be made at predetermined irregular intervals. At January 10, 2035, the principal to be repaid on each debenture will be \$2.3 million.
25. The terms of these debentures permit the principal to be repaid in either USD 44.6 million or AUD 55.0 million at the Province's option.
26. Interest payable is 6-month US LIBOR + 0.3%, with a maximum rate of 6.8%. Callable, in whole but not in part, at par on January 10, 2000 and every six months thereafter.
27. The Province entered into currency exchange agreements which effectively converted these Euro Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.6890. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a fixed rate 3.5% on \$32 million and floating Canadian BA rate on \$5 million.
28. Interest payable is 12-month Yen LIBOR + 0.3%.
29. 1995 OSB Series: Redeemable at the option of the holder on March 1 or September 1 or upon the death of the beneficial owner. The Minister of Finance may reset the interest rate from time to time prior to maturity. Effective March 1, 1999 to August 31, 1999 the interest rate is set at 4.75%. The interest rate will be reset next on September 1, 1999.
30. The interest rate was set at 5.25% for the three-year life of the bond.
31. Interest payable is 4.5% to May 27, 1996, then 1.0% + 5 times (YEN 7-year swap rate minus YEN 3-month LIBOR minus 1.28%) to maturity, with a minimum of 1.0%.
32. Interest is payable in Australian Dollars, based on a notional principal of AUD 66 million at a rate of 3.9%.
33. Interest is payable in Australian Dollars, based on a notional principal of AUD 27.2 million at a rate of 6.0%.
34. Interest payable is 3-month U.S LIBOR rate.
35. Interest payable is 6-month U.S LIBOR rate + .0475%.
36. Interest is payable in Australian Dollars, based on a notional principal of AUD 138.2 million at a rate of 5.65%.
37. Interest is payable in Australian Dollars, based on a notional principal of AUD 149.3 million at a rate of 5.50%.
38. The original debentures payable to OMERS were replaced effective December 31, 1995, with debentures payable to OMERS and to Colleges of Applied Arts and Technology Pension Plan, in the amounts of \$741.6 million and \$90.9 million, respectively. The terms and conditions remain the same as those of the original debentures.
39. Redeemable on August 31, 2000 at par.
40. No interest is payable in the first five years, thereafter interest is payable monthly at an annual interest rate of 17.25%.
41. The terms of these debentures require unequal payments, consisting of both principal and interest, to be made at predetermined irregular intervals with the final payment on January 10, 2045. The total principal and interest to be paid over the life of the debenture is \$1,325 million in total.
42. The terms of these debentures require no interest payments until maturity, at which time a single payment, comprised of both principal and interest, will be made in the amount of \$700 million.
43. The Province entered into currency exchange agreements which effectively converted these U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.32586. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a fixed rate of 8.43%.
44. The terms of these debentures require that a payment be made on August 28, 1998 consisting of interest and a partial repayment of principal in the amount of \$836 thousand, with monthly interest payments made thereafter.
45. Callable, in whole but not in part, at par on October 12, 2000.
46. Interest payable is 3-month Deutsche Mark LIBOR + .0625%.
47. Interest is payable in Australian Dollars based on a notional principal of AUD 103.2 million at a rate of 3.2% payable annually.

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

48. The terms of these debentures require that a special one-time interest payment in the amount of \$6.5 million be made at maturity. Interest payable is 4.35% for the first seven years, thereafter interest payable is 7.04%. The debentures are retractable, in whole but not in part, on December 2, 2003, at the holder's option, provided that the notice of retraction is made during the period from October 31, 2003 to November 12, 2003 inclusive. Such election is irrevocable and if invoked the one-time interest payment at maturity is forfeited.
49. On September 25, 1998, investors in 30-year LF Series bonds exercised their option to purchase an additional amount of LF Series bonds at a price of 120 plus accrued interest. On September 29, 1998 all 30-year LF Series bonds were exchanged for 30-year 8.00% KR Series bonds due Dec. 2, 2026. The amount of this exchange was \$200 million.
50. Investors have exercised their option to exchange the 10-year 7.5% bond on March 27, 1998 for an equal amount of 7.5% bond due February 3, 2027.
51. Investors have exercised their option to exchange the 10-year 7.5% Series KZ bond on December 4, 1998 for an equal amount of 7.5% bond due February 3, 2027.
52. The Province entered into currency exchange agreements which effectively converted these Australian Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.07269. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a floating Canadian BA rate.
53. The Province entered into currency exchange agreements which effectively converted these French Franc obligations to Canadian Dollar obligations at an exchange rate of 0.28491. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a fixed rate of 6.31%.
54. Interest is payable in Australian Dollars, based on a notional principal of AUD 52.5 million at a rate of 3.10%.
55. Interest is payable in U.S. Dollars, based on a notional principal of USD 120.8 million at a rate of 3.25%.
56. Interest payable is 3-month Yen LIBOR rate + 0.1%
57. Interest is payable in Australian Dollars, based on a notional principal of AUD 121.1 million at a rate of 4.28%.
58. The terms of these debentures are: proceeds received at issuance were JPY 7,000 million, the obligation to be repaid is AUD 79.3 million and interest is payable in Japanese Yen based on a notional principal of JPY 7,000 million at a rate of 5.72%.
59. The Province entered into currency exchange agreements which effectively converted this Greek Drachma obligations to Canadian Dollar obligations at an exchange rate of 0.004903. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a fixed floating Canadian BA rate.
60. The terms of these debentures are: proceeds received at issuance were JPY 25,000 million, the obligation to be repaid is AUD 296.3 million and interest is payable in Japanese Yen based on a notional principal of JPY 25,000 million at a rate of 6.00%.
61. The Province entered into currency exchange agreements which effectively converted these Norwegian Kroner obligations to Canadian Dollar obligations at an exchange rate of 0.21235. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a floating Canadian BA rate.
62. 1996, 1997 and 1998 Series OSB: Redeemable at the option of the holder on June 21 or December 21 or upon the death of the beneficial owner. The Minister of Finance may reset the interest rate from time to time prior to maturity.
63. The interest rate was set at 4.50% for the first year. The minimum interest payable is 5.75% in the second year, 6.25% in the third year, 7.25% in the fourth year, and 9.00% in the final year.
64. The Minister of Finance will reset the interest rate every six months. The initial interest rate was set at 4.75%. Effective December 21, 1998 the interest rate was set at 4.75%.
65. Pursuant to the *Ontario Public Service Employees' Pension Act 1994*, and the *Asset Transfer Agreement of December 12, 1994*, the Province is obligated to re-split the debentures between the Public Service Pension Fund (PSPF), and the Ontario Public Service Employees' Union Pension Plan Trust Fund (OPSEUPF) based on accurate data when it is available. On June 13, 1997 a *Restated Sponsorship Amendment and Asset Transfer Agreement* was signed, replacing the 1994 agreement. Pursuant to this Agreement on September 17, 1997, the re-split of the debentures was completed. To effect this re-distribution of assets, \$3,745.8 million of debentures held by PSPF and \$1,751.4 million of debentures held by OPSEUPF were retired and replaced by \$3,726.8 million and \$1,770.4 million of debentures to be held by PSPF and OPSEUPF respectively.
66. The interest rate was set at 3.00% for the first year. The minimum interest payable is 5.25% in the second year, 6.00% in the third year, 6.50% in the fourth year, 7.00% in the fifth year, 7.50% in the sixth year, and 8.00% in the final year.
67. The Minister of Finance will reset the interest rate every six months. The initial interest rate was set at 4.25%. Effective December 21, 1998 the interest rate was set at 4.75%.
68. Callable by the Province, in whole but not in part, at par on June 27, 2001.



TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

69. The Province entered into currency exchange agreements which effectively converted this New Zealand Dollar obligations to Canadian Dollar obligations at an exchange rate of 0.82770. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a floating Canadian BA rate.
70. On January 8, 2001, the investor has the right to purchase an equal amount of July 15, 2028, 6.25% bonds at a price of 105.66.
71. Notes are extendable at the option of the Province on September 4, 2000, 2003 and 2006 to the final maturity date of September 4, 2009. Coupon interest is paid semi-annually at a rate of 6.00% in years 1-3, 6.125% in years 4-6, 6.35% in years 7-9 and 7.625% in years 10-12.
72. Bonds are extendable at the option of the Province on every coupon date starting on October 10, 1999 to October 10, 2009, except in year five. Coupon interest is paid semi-annually at a rate of 5.875% in years 1-2, 6% in years 3-4, 6.25% in years 5-6, 6.375% in years 7-8, 6.5% in years 9-10, and 7% in years 11-12.
73. Interest payable is 3-month Canadian BA rate -0.05%.
74. KN Series bonds in the amount of \$169.7 million face value were purchased and retired by the Province. Series LQ bonds were reopened to finance the retirement of the KN Series bonds.
75. KT Series bonds in the amount of \$149 million face value were purchased and retired by the Province. Series LQ bonds were reopened to finance the retirement of the KT Series bonds.
76. On February 4, 1998, investors exercised their options and exchanged their 5-year Series KP bonds for 30 year 7.375% KQ Series bonds due February 4, 2027.
77. During the 1997/1998 fiscal year, Series KJ bonds were reopened seven times bringing the total issue to \$4,000 million.
78. Proceeds were received in Japanese Yen. Redemption of principal is in US Dollars at an exchange rate of 105 Yen/US Dollar. Interest is payable in Japanese Yen based on a notional principal of JPY 30,000 million at a rate of 3.25%.
79. Proceeds of issue and repayment of principal are in Japanese Yen. Interest is payable in US Dollars based on a notional principal of USD 86.3 million, at a rate of 3.58% payable annually.
80. Proceeds of issue and repayment of principal are in Japanese Yen. Interest is payable in US Dollars semi-annually based on notional principal of USD 57.1 million, at a rate of 2.6% payable semi-annually.
81. On December 7, 1998, exchangeable at par, at the holder's option for a 5.875% December 10, 2027 bond.
82. Extendible at the Province's option on March 2, 2000 and every 6 months thereafter with the exception of September 2, 2002 and March 2, 2003. Final maturity date is set at March 2, 2010. Interest accrues at 6.15% semi-annually and is paid on the maturity date.
83. Total Debt incurred for Provincial Purposes on a consolidated basis, includes the long-term debt of the Toronto Area Transit Authority (GO Transit) for \$444 million and the Ontario Housing Corporation for \$2,319 million.
84. The Treasury Bill balance does not include \$209 million of Treasury Bills held by the Northern Ontario Heritage Fund Corporation which is eliminated upon consolidation.
85. The Province entered into currency exchange agreements which effectively converted this U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.2598. In addition, the Province entered into interest rate agreements which effectively converted the interest obligation on this debt to a fixed rate of 5.29%.
86. Between August 1, 2001 and August 28, 2001, these bonds can be exchanged for 6.30% bonds maturing September 4, 2020.
87. Bond is callable on April 1, 2003 at the Province of Ontario's option.
88. This bond can be extended every six months commencing on November 13, 2001 up until November 13, 2009, excluding May 2002 to May 2003.
89. Callable between August 1, 2001 and August 28, 2001 for repayment at par on September 4, 2008.
90. The terms of these debentures require that a special one-time interest payment of \$31.1 million be made at maturity.
91. Investor has the right to buy up to \$100 million of this issue quarterly for one year commencing November, 1998 at a price of 103.375 plus accrued interest.
92. The interest rate was set at 4.75% for the first year. The minimum interest payable is 5.00% in the second year, 5.50% in the third year, 5.75% in the fourth year and 6.00% in the final year.
93. The Minister of Finance will reset the interest rate every six months. The initial interest rate was set at 5.00%. Effective December 21, 1998 the interest rate was set at 4.75%.















# Ontario

Strengthening Health Care



Developing an Innovative Culture



Building Communities



Creating a Skilled Workforce



Encouraging Respect & Responsibility



Investing in Early Years



Educating for a Lifetime



Foundations  
for Prosperity



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Balanced Budgets – Brighter Futures

# Ontario Budget

# 2000



The Honourable Ernie Eves, Q.C.  
Minister of Finance  
**Budget SPEECH**

**Presented to the  
Members of the Legislative Assembly of Ontario by  
The Honourable Ernie Eves, Q.C.  
Minister of Finance  
May 2, 2000**



## FOUNDATIONS FOR PROSPERITY

Mr. Speaker, the budget is balanced.

Balanced budgets mean brighter futures for all Ontarians.

*"Never in the history of this province has a government at the end of five years in office been able to say that everything was paid for and that the net debt had been reduced."*

Those were the words of Ontario Premier Leslie Frost in his balanced budget address of 1948. As we approach our Government's fifth anniversary I am proud to stand before you and say that, once again, the budget is balanced and the net debt has been reduced.

Ontarians believed we could balance the budget in June 1995 when we were faced with a projected deficit of \$11.3 billion.

Ontarians believed we could balance the budget when government was spending \$1 million more every hour than it was taking in.

Ontarians believed we could balance the budget even though they had lived through a 10-year cycle of tax, spend and borrow that choked Ontario's growth potential, killed jobs and eroded our economic health.

This is an important budget not just for our Government, but for all Ontarians. While it demonstrates the successes we have achieved together, it does much more than that. It establishes the framework for brighter futures—an Ontario with new opportunities and new challenges.

I would like to thank my good friend and Premier, Mike Harris, for the vision and leadership he has shown. His commitment to renewing prosperity in Ontario has been an inspiration.

I would also like to thank members of the Legislature and my cabinet colleagues whose advice has been tremendously helpful.





# 2000 ONTARIO BUDGET

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A great deal of work goes into the budget every year, Mr. Speaker. Without the assistance and support of my Deputy Minister Bryne Purchase, my Chief of Staff Jeff Bangs and everyone at the Ministry of Finance, this would not be possible. I appreciate the tireless efforts of the entire team over the past several months.

Thoughts of my daughter Natalie lead me to reflect on why I entered public life.

I believe, Mr. Speaker, we are all here regardless of political affiliation to try to provide a brighter future for the young people of our province.

The Natalies of today will be the leaders of tomorrow.

We are here, Mr. Speaker, to make it a better tomorrow for all Ontarians.

And I would like to thank the people of Ontario for the input they continually provide, the suggestions they gave me during pre-budget consultations and for the faith they put in us to deliver on our promises to them.

Mr. Speaker, that faith has paid off in a big way.

*"We have made a commitment to  
balance the budget in the fiscal  
year 2000-01."*

**—1996 Ontario Budget Speech**

## Balancing the Books

When I stood before this House one year ago I reported that, on average, private-sector forecasters predicted the Ontario economy would grow by 3.8 per cent in 1999. We were excited about that prospect, Mr. Speaker, and we knew that our 99 tax cuts would play a big part in fostering that economic growth.

What we didn't know at the time was just how much growth.

The people of Ontario demonstrated how much.

They were the ones who created the 198,000 jobs across this province last year alone. In fact, Mr. Speaker, we have experienced the best two consecutive years of job creation in Ontario's history.

They were the ones who spent more of their money on homes, cars, furniture, computers, clothing, appliances and movies—a wide range of products and services that make the economy strong.

# 2000 ONTARIO BUDGET

The end result, Mr. Speaker, is that in 1999 the Ontario economy grew not by 3.8 per cent as the private-sector experts predicted, but by a full 50 per cent more than that.

In fact, Ontario's real economic growth in 1999 was 5.7 per cent.

The Ontario economy grew faster than the economy of the United States.

The Ontario economy grew faster than the rest of Canada.

The Ontario economy grew faster than all of the industrialized countries in the G-7.

That growth was not just a figure in an economic plan, Mr. Speaker—it was felt in every region of Ontario.

It was felt:

By autoworkers in Windsor.

By high-tech workers in Ottawa.

By construction workers in Mississauga.

By pulp and paper workers in Fort Frances.

In the words of Leslie Frost,

*"Let us think—not merely in terms of money value—not in columns of figures and decimals and statistics—but in terms of human values, of people, of development...."*

Mr. Speaker, those are also the benchmarks by which our Government measures Ontario's progress today.

More people working, more people spending and stronger-than-expected economic growth resulted in provincial revenues surpassing our projections by an amazing \$5.3 billion.

When we determined the size of our projected year-end surplus for 1999 we made some decisions that would help us accelerate our plan for the people of Ontario.

*"We are thrilled that the deficit is being wrestled down and jobs are returning"*

—David Surplis,

**President, Council of Ontario  
Construction Associations**

# 2000 ONTARIO BUDGET

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We invested in hospital construction and modernization.

We invested to secure post-secondary student spaces by expanding and renewing our colleges and universities.

And we wanted to give Ontario taxpayers some of their own money back.

Even after doing all of these things, we actually had a budgetary surplus of \$654 million last fiscal year.

What all this means is that the budget was balanced in 1999-00—a full year ahead of schedule—and it is balanced again this year.

Two balanced budgets in a row.

Balanced Budgets – Brighter Futures.

The last time the Ontario budget was balanced in two consecutive fiscal years was in 1942-43 and 1943-44. It was World War II, Mr. Speaker. Mackenzie King was the Prime Minister of Canada.

Four out of five people in Ontario today had not even been born. *Casablanca* won the Academy Award for best film.

While I am honoured to be the first Minister of Finance in more than half a century to announce two balanced budgets in a row, I am equally proud to be establishing the standard on which all future Ontario budgets will be based.

The Taxpayer Protection and Balanced Budget bill we passed last fall will ensure that, from today forward, consecutive balanced budgets will be the rule, not the exception.

And that is as it should be, Mr. Speaker, because, as we have always said, governments have no money. The money we spend belongs to the men and women who work hard to raise their families and pay their taxes. Our Government respects that.

We will not lose sight of that as we turn our energies to tackling the burden of debt and creating more certainty for future generations of Ontarians.

*"Balancing the Budget,  
eliminating the deficit and  
turning around the growth in  
debt are not ends in themselves—  
they are a means to an end."*

—1996 Ontario Budget Speech



## Tackling the Debt

Mr. Speaker, I am proud to tell you that we are beginning to dig Ontario out from the mountain of debt that has accumulated.

The \$654 million surplus generated by our strong economic growth in 1999 has already been applied to reduce debt.

As a result of overachieving our budget target in 1999-00, net debt was actually \$2.7 billion lower than had been projected in last year's budget.

I am very pleased to announce that, beginning with this fiscal year, I have doubled our reserve by \$500 million to a total of \$1 billion every year.

Our goal is to more than double our promised \$2 billion in debt reduction to at least \$5 billion during this mandate.

## INVESTING IN THE FUTURE

### Investing in Health Care for Ontarians

While we have worked to make Ontario deficit-free and to tackle the debt, we have continually increased our investment in those things that Ontarians told us were their priorities.

There is no doubt, Mr. Speaker, that health care is a top priority for Ontarians and for our Government.

Over the past year alone we have invested \$1.4 billion more in health care. Since coming to office we have increased health care operating spending by \$4.4 billion.

During that time the federal government reduced their funding to the program that supports health care by \$1.7 billion. Not only have we made up for the federal reduction of \$1.7 billion, we have also increased our own spending by \$4.4 billion for a total of \$6.1 billion new provincial dollars into our health care system.

*"We commend the government for...introducing Bill 7, the Act to balance the budget. We encourage the government to continue to balance the budget, including the upcoming 2000 budget being introduced this spring."*

—Joanne McGovern,

**Director of Taxation, Alliance of  
Manufacturers and Exporters  
Canada, Ontario**



# 2000 ONTARIO BUDGET

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*"The priority our Government places on comprehensive health care means that we have not only maintained health care funding... we have increased funding to a record level."*

—1997 Ontario Budget Speech

In the future we hope the federal government will do the *right* thing. That they will become true partners in the health care system for the benefit of Ontarians and all Canadians. That they not only restore their cuts but that they become full partners in a new, innovative, restructured health care system.

In 1995 we promised to invest no less than \$17.4 billion in health care during our mandate.

In 1995-96 we invested \$17.6 billion.

In 1996-97 we invested \$17.8 billion.

In 1997-98 we invested \$18.3 billion.

In 1998-99 we invested \$18.9 billion.

In 1999-00 we invested \$20.6 billion.

Ontario's strong economic growth will enable us to invest \$22 billion in health care for Ontarians this year.

It was only a year ago that we promised to invest \$22.7 billion in health care by 2003-04, and we will achieve that target by next year, Mr. Speaker—a full two years ahead of our promise.

The amount of money that government spends is not the only measure of good health care. Sustaining the quality of care that Ontarians deserve requires restructuring and reforming our health care system to keep up with new technology and meet the challenges for a growing and aging population.

That takes investment in the right areas. Our innovative partnerships with the private sector through SuperBuild mean larger and better investments in Ontario's health care priorities than any government could achieve on its own.

Mr. Speaker, as a result of our economic growth in 1999, we have invested an additional \$1 billion in hospitals to help accelerate capital restructuring. This amount was enhanced by our partners through SuperBuild, bringing to \$1.5 billion the total invested last year to modernize Ontario's hospitals and provide better equipment.

This is in addition to the \$340 million the Government had already invested.

Primary care reform is pivotal to our vision of the future of health care—an accessible, integrated dependable system, providing comprehensive care to patients 24 hours a day, 7 days a week.

Ontario is at the forefront of primary care reform. It is our goal, working cooperatively with Ontario physicians, to have 80 per cent of eligible family doctors practising in primary care networks over the next four years.

Since 1995, the Ministry of Health has set up primary care pilot projects in seven communities with the cooperation and assistance of the Ontario Medical Association.

Today, I am announcing that we will spend \$150 million beginning next year to provide for new information systems to support the transition to primary care networks.

We will further dedicate \$100 million over the next four years to expand Ontario's primary care system.

We will enhance patient care through \$110 million for improved medical supervision in home care settings and improved psychiatric services.

We will increase annual funding by \$54 million for priority programs such as cancer care, end-stage renal disease and cardiac care.

We are establishing a \$180 million System Management Fund and providing \$75 million to transfer doctors in the Academic Health Science Centres to alternate payment plans.

In July 1999, our Government opened a telephone health advisory service for Northern Ontario. This toll-free Telehealth service gives callers access to experienced triage nurses who provide health care advice, information and referral.

We are now expanding this valuable service to the GTA and eventually to all communities across the province.

*"As part of your restructuring plan, your government has provided much needed reinvestments in community-based services in Ontario and you have implemented policies that have led to more equity for all residents in terms of funding, access and accountability in the long term care sector."*

**—Vida Vaitonis,**

**Executive Director,  
Ontario Long Term Care Association**

# 2000 ONTARIO BUDGET

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We are taking action to increase access to physicians' services, especially in rural communities. We will provide \$4 million for free tuition to medical students willing to practise in rural and northern areas following graduation. We will endeavour to work with communities to assist with physician recruitment in under-served areas.

I am also announcing today that we will implement Dr. Robert McKendry's recommendations to increase the number of spaces for medical students.

As Premier Harris has always said, the reason we are undertaking our significant reform agenda is to ensure our health care system meets the needs of Ontarians today and tomorrow.

We are increasing our health care spending dramatically.

We encourage the federal government to join with us in reforming the system in Ontario and across the country and to finally become an *equal* partner in the future of health care.

*"The R&D Challenge Fund marks a new competitively based approach to research funding."*

—1997 Ontario Budget Speech

Dr. Cal Stiller, Chairman of the Canadian Medical Discoveries Fund, has said,

*"The creation of the Ontario Research and Development Challenge Fund and the Ontario Innovation Trust has launched a new era of exploration and excitement in both the public and the private research communities here in Ontario. These investments position Ontario, for the first time, to compete strategically on a global scale. They will pay dividends for years to come."*

The medical research community on Toronto's University Avenue alone is one of the largest concentrations of medical researchers in North America.

In last year's budget, I announced the creation of the \$250 million Ontario Innovation Trust. It provides matching funding to Ontario colleges, universities, hospitals and research institutes for labs, high-tech equipment and other research infrastructure. In its first year the Trust has approved over \$161 million in matching funding for 120 projects.



Today I am announcing that we are tripling the Trust with an additional endowment of \$500 million for research infrastructure, including cancer research facilities.

Mr. Speaker, there are few families in Ontario today who have not felt the tragedy of a relative or friend affected by cancer. For this reason, I am also announcing that we are doubling funding for the Ontario Research & Development Challenge Fund to \$100 million.

I have asked Dr. Stiller to head up a team to review and report back to the Government on the most effective way to launch a concentrated effort in the fight against cancer.

Breast and prostate cancer are two of the leading killers of women and men in Canada.

By harnessing the energy and talent of our research community we can make a meaningful impact on the lives of Ontarians for generations to come.

Strokes kill 20,000 Ontarians each year and are the leading cause of adult neurological disability. But new life-saving treatments offer opportunities to reduce death and damage from strokes.

We are proposing new funding of \$30 million to link the Province with the Canadian Stroke Strategy. Together we will develop a comprehensive plan to prevent stroke and rehabilitate its victims.

Mr. Speaker, as part of our Government's commitment to the best possible customer service and improved accountability in the health care system, we will spend \$10 million on a Patients' Bill of Rights.

Furthermore, hospitals will have their funding directly tied to how well they deliver on the services that matter most to Ontarians. The findings will be publicly reported through hospital report cards.

*"The creation of the Ontario Research and Development Challenge Fund and the Ontario Innovation Trust has launched a new era of exploration and excitement in both the public and the private research communities here in Ontario."*

—Dr. Cal Stiller,

**Chairman, Canadian Medical  
Discoveries Fund**



# 2000 ONTARIO BUDGET

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*"We are spending our health dollars wisely and differently. Change is essential so we can serve an increasing population of seniors, and so we can make new technologies available to those who need them."*

—1996 Ontario Budget Speech

## Investing in Health Care

- \$1 billion invested in hospitals to accelerate capital restructuring.
- \$150 million for new information systems for transition to primary care networks.
- \$100 million over four years to expand primary care.
- \$110 million for improved medical supervision in home care settings and improved psychiatric services.
- \$54 million annually for priority programs such as cancer care, end-stage renal disease and cardiac care.
- \$180 million System Management Fund.
- \$75 million to transfer doctors in Academic Health Science Centres to alternate payment plans.
- \$45 million at maturity for expanding Telehealth.
- \$4 million for free tuition to medical students willing to practise in rural and northern areas.
- Increasing number of spaces for medical students.
- Tripling Ontario Innovation Trust by an additional endowment of \$500 million for research infrastructure, including cancer research facilities.
- \$30 million for the development of a comprehensive plan to prevent stroke and treat and rehabilitate victims.
- \$10 million for a Patients' Bill of Rights.
- Tying hospital funding to service performance.
- \$235 million for the hospital sector, primarily for transitional issues as health care restructuring continues.
- \$21 million over three years for projects testing blood conservation and bloodless surgery techniques.
- \$10 million over two years for the Health Integration Program.
- \$6 million annual increase to strengthen detection, investigation and prosecution of individuals defrauding the health care system.
- \$3.5 million for bridge training for foreign-trained nurses and other professionals to meet Ontario licensing standards.
- \$1 million to provide treatment of tuberculosis for persons not covered by medical insurance and for equipment to double the enrolment of MRI technologists at the Michener Institute.
- Pilots for reform of Ontario's health rehabilitation system.
- \$6 million in annual funding to provide education and training for Level II Neonatal units to hospital staff.

## Helping Our Children Reach Their Full Potential

Mr. Speaker, of all the investments we make today, perhaps none is more important for the future of our province than those we make in our children.

Those are the kinds of investments that pay off many times over for all members of our society.

In each of our budgets we have taken steps to give Ontario's children a healthy start and a good education by removing barriers so that all children across this province can realize their full potential.

Yet again this year, we are expanding children's health programs and illness prevention.

We are enhancing our successful Pre-school Speech and Language Program, introducing an infant hearing program and investing in treatment for an additional 5,000 young people with eating disorders.

*"As a grandmother of three young children I cannot stress enough the importance of the early years and early intervention for children in need. The steps Ontario is taking will make a difference."*

—Aenone Josselyn

### Investing in Children's Health

- Additional \$6 million to extend the Pre-school Speech and Language Program to five-year-olds.
- \$7 million annually to implement an infant hearing screening program.
- Annual increase of \$7 million for initiatives to stem the growing problem of eating disorders.
- \$4 million over two years to accelerate the expansion of the Electronic Child Health Network, bringing the Province's total contribution to the project to \$11 million.
- \$4 million to develop strategic directions addressing asthma prevention, education, clinical guidelines, treatment and control.
- \$2 million more annually for nutrition programs in schools.

# 2000 ONTARIO BUDGET

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The Early Years Study commissioned by our Government in 1998 indicates clearly that the first six years of life establish the foundation for learning, behaviour and health.

We are responding to the study's recommendations by moving forward on a number of the proposals.

Mr. Speaker, the \$30 million Early Years Challenge Fund will be launched this fall as promised.

It will build on the success of the five demonstration projects we launched last year, to help parents and communities develop the resources needed to increase their children's learning potential in the early years.

*"Preparing children for the future starts in the earliest years."*

—1999 Ontario Budget Speech

Many young children learning to read are benefiting from programs that provide specially trained teachers, reading clinics and reading buddy programs.

We will invest an additional \$70 million annually to enhance these programs and improve the reading skills of young students from Junior Kindergarten to Grade 3.

As part of our commitment to quality education in the early elementary grades, we will be providing additional funding of \$101 million annually to reduce average class sizes in Junior Kindergarten to Grade 3.

My colleague Janet Ecker, Minister of Education, will be coming forward this spring with initiatives and legislation to improve education quality for all students, including secondary students.

I take particular pride in the fact that our Government has always placed a high value on improving access to a quality education for all our children. As you know, Mr. Speaker, in budgets past I have announced a wide range of measures that open doors for young people with special educational requirements, to help them reach their full potential.

We have also acted to provide parents and families with a greater voice in decisions about special education. We have established individual education plans for each child and province-wide standards for the provision of special education.



More can and will be done for these students, Mr. Speaker.

My inspiration in this regard comes from the courage and determination shown by my late son Justin, who was learning disabled. There are hundreds of thousands of Justins out there, Mr. Speaker, and they deserve an equal opportunity in life.

I am announcing \$70 million annually in new special education funding. This funding will allow for early interventions and will expand programs for students with speech and language disorders and learning disabilities.

It will also be invested to increase the number of specialist teachers and professional supports.

This is in addition to the investment recently announced by the Minister of Education and brings the total increase in special education funding to \$140 million for the next school year.

We are also providing \$4 million in training funding so qualified assessors can test and identify young Francophone students with learning disabilities.

I would like to thank Dr. Bette Stephenson, my friend and Chair of the Learning Opportunities Task Force, for bringing this need to my attention, and for her advice and guidance in the area of special education.

Through the Ministry of Health, we are delivering on our promise by proposing to extend funding for the medical requirements of special needs students to include students in all denominational schools. This will eliminate unfair barriers for special needs children seeking a faith-based education. It is the fair and equitable thing to do, Mr. Speaker.

June Callwood, author and highly respected advocate for social justice, has worked with many organizations across Canada in the fight against child neglect and abuse.

She told me she believes Ontario can take a leadership position. I agree. So today I am announcing steps to continue to address important children's issues.

*"Child abuse and neglect leave invisible scars that can linger long into adulthood. I believe that any investment we make in children today will pay enormous dividends in the future. I am pleased that the Ontario Government is taking leadership on this vital issue. While there is more to be done, Ontario has taken a significant first step."*

—June Callwood



# 2000 ONTARIO BUDGET

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To recognize the special circumstances faced by working single parents, I am proposing the introduction of a new benefit for single parents as part of the Ontario Child Care Supplement for Working Families.

This change would increase the maximum annual benefit by \$210 for each child under age seven in single-parent families. We expect this new benefit to assist 77,000 children across Ontario.

Ontario is prepared to invest up to \$50 million over five years as part of a \$100 million challenge to the federal government to join us in providing additional support for the children of low-income, working single parents.

We also call upon the federal government to reduce the high effective marginal tax rates faced by low-income families.

We realize that single parents with disabled children face unique obstacles and we want to look at ways to help these families.

*"The Government is committed to improving the health and safety of children in Ontario."*

—1998 Ontario Budget Speech

In the coming months, my colleagues, the Honourable Helen Johns, the Minister Responsible for the Disabled, and the Honourable John Baird, the Minister Responsible for Social Services, will be bringing forward joint recommendations on steps that can be taken to help these families build better lives.

We are also taking June Callwood's advice and establishing a \$5 million prevention and intervention program in schools that will help teachers identify when children, especially in the primary years, may be at risk of neglect or physical or emotional harm.

And, Mr. Speaker, the additional funding made available under the National Child Benefit will be invested in a wide range of initiatives that will help the children of Ontario.

## Investing in Children and Youth

- Launching \$30 million Early Years Challenge Fund.
- \$70 million annually to improve the reading skills of students from Junior Kindergarten to Grade 3.
- \$101 million annually to reduce average class sizes in Junior Kindergarten to Grade 3.
- Increase in special education funding will be \$140 million for the next school year.
- \$4 million to train assessors to test and identify young Francophone students with learning disabilities.
- Extending funding for the medical requirements of special needs students to include students in all denominational schools.
- Increase in child care support benefit of up to \$210 per year for each child under seven in low-income, single-parent families, as part of a \$100 million challenge to the federal government to support children of low-income, working single parents.
- \$5 million annually to implement a prevention and intervention program in schools to help teachers identify when children, especially in the primary years, may be at risk of neglect or physical or emotional harm.
- \$6 million over three years to a Community Sport Opportunity Fund to encourage underprivileged youth aged 6 to 16 to participate in sports.
- \$2 million annually for four years to develop and implement local strategies to address the problem of child prostitution.
- Raising awareness of Early Years by supporting TVO to develop good parenting resources.
- Establishing a Youth Reference Board to advise the Minister Responsible for Children.

*"Ontarians can be proud of their Government's initiatives to open doors for learning disabled children. The increasingly successful experience at the post-secondary level is just one indication of their value."*

—Dr. Bette Stephenson

Chair, Learning Opportunities  
Task Force

## Building Strong Communities in Every Region

Ontario's youth deserve equal opportunity no matter what community they live in, no matter what region.

These are the places, Mr. Speaker, where our children play, learn and grow up.

Where all Ontarians live and work.

As we enter a new century, our Government is focused on continuing to build Ontario's communities, large and small, urban and rural.

# 2000

## ONTARIO BUDGET

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*"Investing in those places where the people of Ontario live and work means helping Ontarians to build better lives for themselves and their families."*

**—1999 Ontario Budget Speech**

Industries such as agriculture, tourism, mining and forestry are a vital component of Ontario's economy, especially in rural and northern regions.

Ontario's 67,000 farmers and their families make a major contribution to the social and economic fabric of our province. Our Government recognizes that contribution.

Thanks to the strong advocacy of my colleague the Honourable Ernie Hardeman they are finally receiving their fair share of federal agriculture safety-net funding, an additional \$30 million or more.

We will also meet our commitment to provide a 40 per cent share, which will bring the total amount of safety-net funding for farmers to about \$230 million per year.

I am pleased to announce that we propose to convert the Retail Sales Tax rebate program for farm building materials to a point-of-sale exemption.

This was requested by the Premier's Task Force on Rural Economic Renewal.

Mr. Speaker, the Task Force also identified a variety of barriers to economic growth facing rural Ontario. To address these unique challenges, we are establishing a \$600 million Ontario Small Town and Rural Development initiative.

This new approach to building our rural communities will include \$200 million for economic development and \$400 million for infrastructure through SuperBuild.

We are doing this so the benefits of strong economic growth are shared across rural and small town Ontario. We are also responding by providing \$300 million over five years as part of a renewed mandate for the Northern Ontario Heritage Fund to ensure that Northern Ontario communities are full participants in Ontario's strong economy. We will double the annual funding to \$60 million.

When we came into office, we made a commitment to the mining industry that we would consider tax relief for the sector when the budget was balanced. Today I am honouring this commitment.



I am proposing to cut Ontario's Mining Tax rate in half, from 20 per cent to 10 per cent, over five years.

Although the federal government missed the opportunity to recognize this critical sector, our Government is acting to provide tax relief. So today, Mr. Speaker, I am proposing to increase tax incentives provided for investors in flow-through shares. We challenge the federal government to do the right thing with respect to this sector as well.

We also intend to provide a 10-year Mining Tax exemption for new remote mines and we will create new geoscience information that will encourage more exploration for new mines to create jobs in Northern Ontario.

## Investing in Rural and Northern Communities

- Obtained a fair share of federal safety-net funding.
- Converting Retail Sales Tax rebate program for farm building materials to a point-of-sale exemption.
- \$600 million for Ontario Small Town and Rural Development initiative.
- \$300 million over five years as part of renewed mandate for the Northern Ontario Heritage Fund.
- Cutting the Ontario Mining Tax rate from 20 per cent to 10 per cent over five years.
- Increasing tax incentives provided for investors in flow-through shares.
- 10-year Mining Tax exemption for new remote mines.
- New geoscience information to encourage exploration for new mines.
- \$3 million for advanced technologies for mineral exploration.
- \$23 million more in 2000-01 for school transportation, with a focus on rural and Northern Ontario.

In addition to new infrastructure investments for rural and northern communities, I am launching the new SuperBuild Millennium Partnerships initiative. It will invest \$1 billion over five years in public-private partnerships for strategic infrastructure: environmental projects and projects for the economic development of urban centres across Ontario.

*"When communities have the capacity to generate a vision for their future, and have the tools to make this dream a reality we will have a stronger, more vibrant rural Ontario."*

—Mary Smiley

Director, Foundation for Rural Living



# 2000 ONTARIO BUDGET

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We are also signalling today that in response to the innovative and exciting Fung Report, the Ontario Government is ready, willing and able to do our part to revitalize Toronto's waterfront and to make Toronto's 2008 Olympic bid a resounding success.

Our Government recognizes the important role that sports, recreation, cultural and tourist attractions play in the growth and development of our province. We will invest \$300 million over five years in the SuperBuild Sports, Culture and Tourism Partnerships initiative, in order to rebuild and enhance publicly owned local facilities, as well as expand major cultural and tourist attractions.

*"By consolidating infrastructure spending and emphasizing partnerships we will focus on investments that are both strategic and innovative."*

**—1999 Ontario Budget Speech**

Mr. Speaker, I am pleased to announce the first projects to be funded through this initiative. We plan to contribute \$15 million towards a new \$30 million project at the Ontario Science Centre. We will also contribute \$2 million towards redeveloping the Avon Theatre in Stratford.

And we are spending an additional \$50 million over four years, Mr. Speaker, to promote our province and the world-class tourism opportunities that exist here at home.

Last year, we made a record investment in the highways that link our communities. Today, I am announcing that we will spend \$1 billion this year on Ontario's highway system—a new record investment.

Infrastructure investment keeps Ontario moving, and moving forward, Mr. Speaker.

## Investing in Infrastructure and Community Development

- \$1 billion over five years for the SuperBuild Millennium Partnerships initiative.
- \$300 million over five years for the SuperBuild Sports, Culture and Tourism Partnerships initiative, including the Ontario Science Centre and the Avon Theatre in Stratford.
- Additional \$50 million over four years to support tourism.
- \$1 billion record commitment to Ontario's highway system in 2000-01.
- Enhancing Arts Endowment Fund by \$25 million over three years.

## Cutting Property Taxes

- Supporting communities by cutting education property taxes by more than \$1 billion through a reduction of more than \$500 million for business and \$500 million for residential taxpayers.
- Half of the promised 20 per cent cut to the residential education tax rate over five years has been delivered.
- In 1998, committed to reduce education taxes on businesses that were paying more than the average business education tax rate of 3.3 per cent over eight years. To date, taxes have been cut almost \$200 million or 40 per cent of the total commitment of over \$500 million.
- Committed to match municipal tax cuts on business dollar for dollar with accelerated education tax cuts in municipalities where education tax rates are above the average.
- In 1999, matched municipal tax cuts with accelerated business education tax cuts in Brockville, Belleville, Hamilton-Wentworth Region, Niagara Region and New Liskeard.
- Municipalities' costs for Local Service Realignment decreased by \$470 million since March 1998, as a result of municipal and provincial efforts. It is important to ensure that these savings are passed on to property taxpayers, thus providing an opportunity for further reductions in property taxes.

*"If Ontario is to continue to grow economically and Ontario businesses are to continue to be competitive export markets, a vastly improved highway system is a prerequisite."*

—Bob Bradford

**Executive Director, The Ontario Road Builders' Association**

## Supporting Safe Communities

Our communities not only need to be strong; they need to be safe.

In my pre-budget consultations, I met with law enforcement officers who told me we need to do more to protect our seniors, fight organized crime and reduce youth crime. I would like to thank them for that advice. I would also like to respond to them by doing what they have asked us to do.

We are establishing a permanent Community Policing Partnership Program with \$35 million a year in funding.

We are providing \$6 million in annual funding to establish three new specialized OPP policing teams that will be deployed province-wide.

The Electronic Crime (E-Crime) Squad will build the capacity and expertise needed to respond to the emerging threat of computer crimes.

The Seniors' Assistance Squad will crack down on criminal activities that target senior citizens and work with them to prevent victimization.

A special safety team will provide intensive patrols on Ontario's snow trails and waterways to ensure effective enforcement of the law.

At the same time, we want to increase the fight against organized crime through the strategic deployment of the Organized Crime Joint Force operations for police and prosecutors.

We are building on our innovative approach to dealing with youth crime by expanding existing programs targeting youth crime and violence, Mr. Speaker. Over the next two years we plan to triple the number of sites for the Youth Justice Committee Pilot Program from 6 to 18 new sites.

The Probation Officers' Association of Ontario told me that we needed more probation and parole officers to improve community safety. Mr. Speaker, I am announcing the addition of 165 new probation and parole officers to provide more intensive and frequent monitoring of offenders, and to assist in restricting the movements of offenders serving sentences in the community.

*"Our plan places a high priority on improving safety in our communities and dealing with violent crime."*

—1997 Ontario Budget Speech



This is part of our new \$18 million Strict Discipline model for Community Corrections.

Mr. Speaker, our Government continues to deliver the message that we stand on the side of victims of crime. We intend to make permanent the Office for Victims of Crime. This office will provide advice to the Government in the development of an overall framework for victims' services.

In last year's budget, we doubled the number of Domestic Violence Courts. This year, we will provide additional funding to increase the number by a further 50 per cent. To expand associated supports we are enhancing, by \$10 million in annual funding, the programs that support women and children who have experienced domestic abuse.

*"Governments of the future need to rise to meet the new challenges of technology with strong commitments to community safety and crime prevention. This Government is demonstrating its commitment to safe communities and I commend them for their efforts."*

—Brian Adkin

President, Ontario Provincial Police Association

## Investing in Safe Communities

- A permanent Community Policing Partnership Program with funding increased to \$35 million.
- \$2 million annually to create a specialized OPP team to respond to the emerging threat of computer crimes.
- \$2 million annually to establish a specialized OPP team to fight crimes that target senior citizens.
- \$2 million annually to establish a specialized OPP team to provide intensive patrols on Ontario's snow trails and waterways.
- \$4 million for the strategic deployment of specialized police forces and dedicated legal resources to focus on organized crime.
- \$3 million to expand the Youth Justice Committee pilot and enhance programs targeting youth crime and violence.
- 165 new probation and parole officers as part of new \$18 million Strict Discipline model for community corrections.
- \$1 million to permanently establish the Office for Victims of Crime.
- \$10 million to expand Domestic Violence Court Programs.
- \$10 million annually for programs that support women and children who have experienced domestic violence.
- \$2 million to increase the number of Supervised Access Sites.
- \$16 million over four years to modernize and resolve health and safety issues in OPP detachments, the Ontario Fire College and the Coroner's Office.
- \$6 million to assist municipalities in adopting justice sector technology initiatives.



## Giving Our Young People the Tools to Succeed

Mr. Speaker, as opportunities open up in cities and towns across Ontario we must provide our young people with the skills and access they need to take advantage of those opportunities. That means finding new and innovative ways to link post-secondary education and training programs with the private sector.

As St. Clair College in Windsor builds a new automotive and engineering technology department, DaimlerChrysler is right there with them through a SuperBuild partnership.

Helping the college realize this important goal is more than an investment in infrastructure for DaimlerChrysler, it is an investment in their own skilled workforce—for today and for tomorrow.

Similarly, at Durham College, a partnership of seven private-sector organizations, including GM and the Canadian Auto Workers, is creating a new Manufacturing and Information Technology Centre. This state-of-the-art facility will include new classrooms, labs and shops, and provide spaces for more than 3,000 additional students.

Mr. Speaker, a new Apprenticeship Innovation Fund will provide \$15 million over three years to modernize classroom training for existing programs and introduce opportunities in new trades.

While we are encouraging partnerships like these, we are also increasing access to education so that there will be a space in college or university for every qualified student who wants to obtain a post-secondary education.

Mr. Speaker, I am pleased to announce that we have provided another \$286 million of our SuperBuild investments to expand and renew our colleges and universities. This funding will support an additional 24 capital projects that will create spaces for 15,587 more students.

Our total \$1 billion investment through SuperBuild, combined with our partners' contributions, will result in a total of \$1.8 billion invested for more than 73,000 new student spaces in Ontario's colleges and universities. Mr. Speaker, this is the largest capital investment in our post-secondary system in more than 30 years.

*"Our plan will allow us to take major steps forward in supporting college and university students and maintaining their access to an affordable education."*

—1998 Ontario Budget Speech

Mr. Speaker, we are investing in skills for jobs. We are investing in the youth of Ontario.

## Investing in Skills for Jobs

- \$15 million over three years for new Apprenticeship Innovation Fund to modernize classroom training and introduce opportunities in new trades.
- Additional \$286 million invested, for a total \$1 billion SuperBuild investment, towards more than 73,000 new student spaces in Ontario's colleges and universities.
- A new Educational Technology Tax Incentive for donations of equipment and technology to colleges and universities.
- Eliminating the RST on all donations to educational institutions.
- \$5 million for TVO to develop workplace training delivery in partnership with the private sector.
- Increasing the study-period employment and scholarship exemptions for students in colleges, universities and vocational schools who receive OSAP loans.
- Doubling funding for the Ontario Work-Study Plan to enable universities and colleges to hire twice as many students and help deserving students complete their studies.
- Increasing the number of Ontario Graduate Scholarship awards by more than 50 per cent and increasing the value of each scholarship to \$15,000.

*"Our relationship with St. Clair College forges a link that benefits not only DaimlerChrysler Canada, but also Ontario and its dynamic economy. Ontario needs a highly skilled workforce and DaimlerChrysler needs community college graduates who are productive from day one."*

—Edwin H. Brust

**President and CEO,  
DaimlerChrysler Canada Inc.**

## Fostering Research and Innovation

We are investing in new technologies, fostering research and development activities and ensuring that businesses have workers with the skills they need to compete with the best in the world.

We are committed to giving our young people the freedom and tools to innovate.

## **Investing in Skills for Tomorrow**

- \$2 million over three years to undertake training for women in the information technology sector.
- \$2 million to expand the successful Women in Skilled Trades program for pre-apprenticeship in the auto parts sector.
- \$5 million over five years for community and school-based programs to raise youth's awareness of science and technology.
- \$1.4 million to expand the successful Ontario Youth Apprenticeship Program to all school boards offering secondary education.

*"Ontario must continue to attract and retain talented knowledge workers to remain a world leader in high-technology industries."*

—1999 Ontario Budget Speech

Our additional endowment of \$500 million through SuperBuild to the Ontario Innovation Trust will furnish our research institutions with the labs and equipment to be at the leading edge of scientific, technical and medical research.

Mr. Speaker, today I am also announcing the establishment of a new Ontario Research Performance Fund to provide over \$30 million annually to colleges, universities and research institutes. This will cover overhead costs associated with Ontario-funded research.

The Province of Ontario is prepared to fund the costs associated with our own research. We expect the federal government will likewise cover the indirect costs associated with their own sponsored research.

This Government's investments in research and development, in partnership with the private sector and Ontario's post-secondary institutions, are paying off with a number of new companies being created through spin-offs from research.

New R&D-intensive companies are increasingly using stock options to attract and retain highly skilled employees. Our Government is committed to providing a competitive tax system to help these young Ontario companies find and keep bright, innovative minds.

We will be introducing legislation so that the first \$100,000 each year in taxable employment benefits arising from designated stock options and capital gains will not be taxed by the Province of Ontario.

I encourage the federal government to join us and do the right thing for these innovative companies and their employees.



We are proposing to exclude from the Employer Health Tax base the stock option benefits of employees of R&D-intensive companies.

Ontario's television and film industries make up a leading-edge sector that has grown rapidly over the last five years and now directly employs over 10,000 people. This sector spends over \$1 billion in production in Ontario, Mr. Speaker.

The changes we propose will foster the growth of those industries by increasing the effectiveness of our tax credits and establishing regional incentives.

And we will invest \$30 million over five years for the creation of the new Ontario Media Development Corporation.

## Investing in Research and Innovation

- \$30 million annually for new Ontario Research Performance Fund.
- Personal income tax exemption for first \$100,000 each year in taxable employment benefits that research employees derive from stock options and capital gains from the sale of shares acquired with such options.
- Excluding from the Employer Health Tax base the stock option benefits for employees of R&D-intensive companies.
- Making the Ontario film and television tax credit less complex and more effective and proposing a new regional bonus.
- \$30 million over five years for the creation of the Ontario Media Development Corporation, which will assume the functions of the Ontario Film Development Corporation and the administration of tax credits from the Ministry of Citizenship, Culture and Recreation.
- Expanding the Sound Recording tax credit.
- Expanding the Interactive Digital Media tax credit.
- Enhancing the Book Publishing tax credit.
- Doubling the R&D Challenge Fund to \$100 million.
- Doubling annual funding for the Premier's Research Excellence Awards.
- Reduction of the rate of Gross Receipts Tax on telephone and telegraph companies to three per cent for 2000, two per cent for 2001, one per cent for 2002 and its elimination in 2003.
- Examining legislation as it applies to community-based investment funds and labour sponsored investment funds to ensure that a stable and growing pool of venture capital is available.

*"Innovation is not simply about the creation of new technology or applications, more importantly it is about establishing an innovation culture that sees both the public and private sector collaborating naturally to produce new discovery that benefits us all. Ontario is doing just that."*

—Dr. Sheldon Levy

President, Sheridan College



## Increasing Competitiveness and Creating Jobs

As we experience renewed growth and prosperity in Ontario we must continue to look to the future. Just as more people today are getting jobs, we need to make sure that jobs are there for our children and for generations to come.

Attracting new and innovative businesses to Ontario and increasing the competitiveness of the companies that are here will create even more employment opportunities for tomorrow and increase the standard of living for all Ontarians. Corporate tax cuts will help make that happen.

*"Many individual small business owners have told us that further cuts to small business taxes would help them create even more jobs."*

—1998 Ontario Budget Speech

The Preliminary Working Group of the Business Tax Review Panel has provided me with initial recommendations on ways to increase tax fairness and attract companies to Ontario. The Panel will continue to examine more ways to further create jobs through our personal, corporate and property tax systems.

I look forward to their advice. However, we are taking action immediately.

Currently, the general corporate tax rate is 15.5 per cent and the rate on manufacturing and processing income is 13.5 per cent. I am proposing a comprehensive strategy to cut both the general corporate income tax rate and the manufacturing and processing rate to eight per cent by 2005.

Mr. Speaker, this will be the lowest general corporate income tax rate in Canada.

When our tax cut plan is fully in place, the combined Ontario and federal corporate income tax rate would also be more than 10 percentage points lower than the average rate of the U.S. Great Lakes states, our biggest competitors for businesses and jobs.

I challenge the federal government to match our reductions and make us the most competitive jurisdiction in North America.

I am proposing to further reduce small business rates by accelerating and enhancing Ontario's small business tax cut plan from eight per cent today to four per cent in 2005, the lowest in Canada.

We are responding to the Canadian Federation of Independent Business, by proposing to expand over the next five years, the amount of income that is eligible for the lower small business corporate income tax rate to \$400,000 from its current level of \$200,000, which has been the level for almost 20 years.

When fully implemented, the income limit at which the small business rate is phased out would be \$1 million. Mr. Speaker, updating this income threshold will help more than 7,500 of Ontario's growing small businesses.

To level the playing field with other self-employed individuals who can choose whether or not to operate their businesses through a corporation, our Government proposes that the right to incorporate be extended to all regulated professionals.

Growing businesses, more consumer spending and more opportunity. There can be no doubt that there is a renewed spirit of optimism in our province.

## Investing for a Competitive Environment

- Reducing the general corporate tax rate from 15.5 per cent to 8 per cent by 2005, starting with a one-point rate reduction immediately and followed by another one-half-point reduction next January 1.
- Reducing the manufacturing and processing tax rate from 13.5 per cent to 8 per cent by 2005, starting with a one-point rate reduction immediately and followed by another one-half-point reduction next January 1.
- Cutting the small business tax rate to 4 per cent by 2005.
- Expanding the number of small businesses benefiting from Ontario's small business tax rate.
- Allowing all self-employed regulated professionals to incorporate.
- Examining capital market regulation to ensure financial markets meet entrepreneurs' and businesses' demand for capital.
- Exempting deposit insurance premiums from Ontario Retail Sales Tax for credit unions and caisses populaires.
- Merging the Ontario Securities Commission with the Financial Services Commission of Ontario.

*"Your Government's continued efforts to improve the business climate in Ontario, cut taxes and stimulate greater economic activity in this province have been highly successful. Congratulations."*

—Faris Shammass

**Executive Director, Canadian Plastics Industry Association**

## Giving Ontarians Back More of Their Own Money

The evidence is irrefutable, Mr. Speaker. Tax cuts do create jobs. More than 700,000 jobs since 1995.

Our 99 tax cuts to date are fuelling robust economic growth in Ontario, allowing us to balance the books a full year early and support unprecedented levels of investment in priority services.

Mr. Speaker, I am pleased to announce an additional 67 tax cuts today. This brings to 166 the total number of tax cuts we have provided to Ontarians since we came to office.

Last year, we promised to reduce Personal Income Tax by 20 per cent over five years. With the measures I am proposing today, we are well on our way to meeting that commitment. Next year's budget will fully deliver our 20 per cent reduction, ahead of schedule.

Today I am announcing that we intend to cut taxes yet again for Ontarians with lower incomes, unlike the federal government which chose not to reduce the low income tax rate.

Ontario will cut the lowest tax rate by five per cent. This is the fair thing to do and I urge the federal government to do the same.

We also want to reduce the tax rate for middle-income taxpayers so they too can keep more of their hard-earned money.

We plan to restore full indexation to Ontario's personal income tax system to eliminate bracket creep, ensuring that no Ontario taxpayer will pay more tax just because their income increases to keep up with inflation.

Mr. Speaker, in recent months, the costs of driving have received a great deal of attention as fuel costs have risen.

Instead of reducing fuel taxes, a move that does not ensure consumers would realize the benefits, we have chosen to take action that will give consumers a direct benefit.

Effective midnight tonight, we plan to phase out the Retail Sales Tax on motor vehicle insurance premiums by one point per year until it is fully eliminated.

*"The Ontario tax cut means more tax relief for more people."*

—1998 Ontario Budget Speech



I am proposing a phase-out of the rate of sales tax applied to repairs and replacements made under warranty over the same period. Effective midnight tonight, the rate would be reduced to 6 per cent.

Mr. Speaker, people at all income levels are investing in the hopes of realizing gains. Taxation on capital gains should be fair and reasonable. So beginning on January 1, 2001, I am proposing that the amount of gain taxed be reduced from two-thirds, as proposed by the federal government, to 50 per cent, over four years.

Mr. Speaker, again we challenge the federal government to do the *right* thing—administer our reduction for Ontarians and provide a matching reduction on their capital gains tax too.

We are also challenging the federal government to move quickly to assist Ontarians who are limited in what they can contribute to registered savings vehicles by the current federal maximum on tax-deductible contributions.

We know that to provide a secure retirement for Ontarians, the RRSP contribution limit should be increased to \$15,500. We understand this requires federal cooperation so we would match with Ontario tax relief any federal increases in the RRSP limits.

And, Mr. Speaker, next year we expect to fully implement a "Made-for-Ontario Tax System." When we have our own income tax system, we plan to eliminate personal income surtaxes.

Mr. Speaker, personal income tax cuts have allowed us to balance the budget and begin to tackle the debt;

Invest in health care;

Invest in Ontario's children;

Invest in our communities; and,

Invest in research and innovation.

*"We favoured the approach your government took, which was a measured tax reduction and deficit reduction."*

—Catherine Swift

President and CEO,

Canadian Federation of Independent  
Business



# 2000 ONTARIO BUDGET

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Tax cuts have paid real dividends in terms of a strong economy and jobs in Ontario. Now I am proposing that the working men and women of this province get another tax cut in the way of a dividend—a Taxpayer Dividend.

Today I am announcing that we intend to give \$1 billion of the taxpayers' money back to them. Under this plan, every Ontarian who paid personal income tax to Ontario last year will receive a dividend of up to \$200 each.

## Money Back to Ontarians

- Cutting the lowest personal income tax rate by 5 per cent to 6.20 per cent.
- Cutting the middle personal income tax rate from 10.01 per cent to 9.24 per cent.
- Eliminating bracket creep by restoring full indexation to Ontario's personal income tax system.
- Phasing out the Retail Sales Tax on motor vehicle insurance premiums by April 1, 2004.
- Phasing out Retail Sales Tax applied to repairs and replacements made under warranty by April 1, 2004.
- Reducing amount of capital gains taxed from two-thirds to 50 per cent over four years.
- Calling on the federal government to quickly increase RRSP maximum contribution limits to \$15,500.
- Making permanent the Land Transfer Tax refund of up to \$2,000 for first-time buyers of new homes.
- Taxpayer Dividend of up to \$200 to every Ontarian who paid 1999 Ontario personal income tax.

*"Allowing Ontarians to keep more of their own hard-earned money...has meant that they are spending more and investing more, boosting our economy and creating jobs."*

—1999 Ontario Budget Speech

## YOUR BUDGET, YOUR FUTURE

Mr. Speaker,

*"Governments must at all times pioneer a pathway for the people. To a large degree the engineering plan for that pathway is the Government's budget. A modern budget is not simply a bookkeeping statement or a testimony to financial management. It is a deliberate instrument of social and economic guidance. It is part of the very fabric of our society and our economy".*

Those were the words Treasurer Charles McNaughton delivered in this House in 1969 when he announced the books were balanced. Those words ring equally true today, some 31 years later.

For our part, Mr. Speaker, we have pioneered that pathway by redefining how government works for the people.

By recognizing that prosperity is achieved not just for Ontarians, but by Ontarians—the people who work hard, create jobs and raise their families in communities all across our province.

By letting those people keep more of their own money to spend, save or invest in the things they want, not the things the government wants.

By ensuring taxpayers' dollars are focused on those services that are their priorities.

By finding innovative approaches to building our hospitals, our schools, our highways and our communities.

And by lifting the burden of debt from our children's shoulders, without resting it squarely on taxpayers' backs today.

This budget clearly proves that the path we are following is the right one.

Balanced Budgets – Brighter Futures.

Thank you, Mr. Speaker.



General enquiries regarding policy in the  
*2000 Ontario Budget, Budget Speech: Balanced Budgets – Brighter Futures*  
should be directed to:

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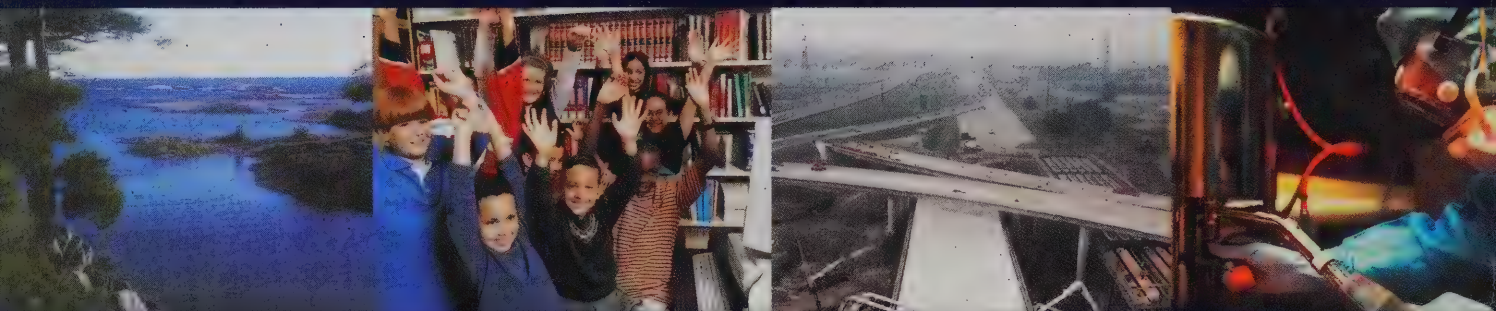
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# Balanced Budgets – Brighter Future



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Balanced Budgets – Brighter Futures

# Ontario Budget

# 2000



The Honourable Ernie Eves, Q.C.  
Minister of Finance  
Budget PAPERS







# **2000 Ontario Budget**

## **Budget Papers**

*Balanced Budgets – Brighter Futures*

**Presented to the  
Members of the Legislative Assembly of Ontario by  
The Honourable Ernie Eves, Q.C.  
Minister of Finance  
May 2, 2000**





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## **BUDGET PAPER A**

**Ontario's Economic and Revenue Outlook:  
"Record Performance and Continuing Strong Growth"**





## HIGHLIGHTS

Solid growth in Ontario's economy will continue in 2000 and 2001, resulting in healthy job gains and a falling unemployment rate.

*"Ontario, which led all of the other provinces in terms of economic growth in 1999, will grow at a stellar rate...in 2000."*

*TD Bank, March 2000*

### Ontario Economic and Revenue Outlook at a Glance

(Annual Average)

	1998	1999	2000	2001
Real GDP Growth (per cent)	4.3	5.7	4.6	3.1
Employment (thousands)	5,490	5,688	Up to 5,887	Up to 6,064
Unemployment Rate (per cent)	7.2	6.3	5.5 - 6.0	5.0 - 5.5
CPI Inflation (per cent)	0.9	1.9	2.5	2.0
Provincial Revenue (\$ billions)	55.8	62.5	62.1	63.4

Sources: Statistics Canada and Ontario Ministry of Finance. Revenues are on a fiscal-year basis.

- The robust economy will underpin growing Provincial tax revenues. Since Ontario began cutting tax rates to stimulate economic growth, total Provincial tax revenue has increased by \$11.7 billion.
- Strong growth in consumer spending and residential investment will be supported by income tax cuts, job gains and rising income.
- Impressive increases in corporate profits, solid domestic demand and high industry capacity utilization rates are leading to vigorous growth in business investment, particularly in productivity-enhancing machinery and equipment.
- Ontario's export and import growth is expected to outpace overall economic growth. Solid auto sales in the United States and across Canada, and growth in high-tech investment, are stimulating Ontario exports.

## ■ ONTARIO'S STRONG ECONOMIC RECORD

### **Job Creation Booming**

- Since September 1995, total employment has risen by 701,000, almost half of all jobs created in Canada.
- A record 198,000 jobs were created in 1999, up 3.6 per cent from 1998. Almost all of the job gains were full-time.
- The unemployment rate has dropped from 8.7 per cent in mid-1995 to 5.6 per cent today.

### **Consumer Confidence Strengthening**

- The Conference Board of Canada's index of Ontario consumer confidence has risen 37.8 per cent since the end of 1995, compared to 25.5 per cent in the rest of Canada.
- Ontario retail sales rose 7.3 per cent in 1999. Over the first two months of 2000, retail sales were up 8.0 per cent from a year earlier.

### **Housing Momentum Building**

- Housing starts soared 24.9 per cent in 1999, reaching a decade high of 67,235 units. Housing starts in Ontario rose to an annual rate of 78,800 units in the first quarter of 2000, up 24.8 per cent from the same period in 1999.
- Ontario home resales advanced 7.4 per cent in 1999, to reach a record 148,660 sales. Over the first three months of 2000, resales are up 9.0 per cent from the same period in 1999.

### **Investment Spending Buoyant**

- Real business investment in machinery and equipment has increased by 80 per cent since 1995, while real commercial and industrial construction has grown by 19 per cent.
- Corporate profits grew by 22.3 per cent in 1999, encouraging the increase in investment.

### **Export Growth Continues**

- Ontario merchandise exports jumped 13.6 per cent in 1999. Ontario exports are up 8.2 per cent over the first two months of 2000 from a year earlier.

## ■ ECONOMIC GROWTH REMAINS ROBUST

The economy grew faster in 1999 than the 1999 Budget projection of 3.7 per cent. With real Gross Domestic Product (GDP) growth of 5.7 per cent, Ontario's economic performance surpassed that in the rest of Canada, the United States and all of the other G-7 major industrial countries.

The strong forward momentum of the Ontario economy in 1999 has carried into 2000. Real GDP is projected to grow by 4.6 per cent in 2000 and by 3.1 per cent in 2001. Growth is expected to be broadly based, with household spending, business investment and exports all making a contribution. In keeping with Ontario's policy of prudent forecasting, these projections are marginally below the current private-sector consensus.

### **Economic Growth Projections**

(Per Cent)

	2000	2001
<b>Ontario Real GDP Growth</b>		
Private-sector survey average	4.7	3.2
Ontario's projection	4.6	3.1

Note: The private-sector average is based on eight recent forecasts.

Sources: Ontario Ministry of Finance and Ontario Finance Survey of Forecasts (April 2000).

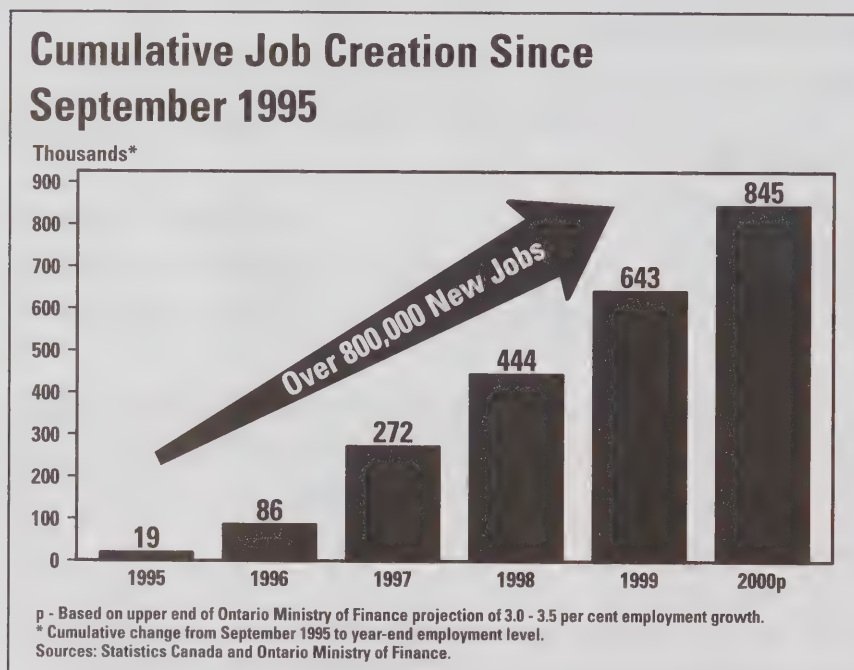
The cautious economic projection is, as in previous Budgets, supplemented by a reserve, as part of prudent budgeting practices. A \$1 billion reserve has been included in the 2000-01 fiscal plan to protect the balanced budget against unexpected and adverse changes in the economic and fiscal outlook.



## ■ VIGOROUS JOB GROWTH

Tax cuts create jobs. Government policies of lower taxes, reduced regulation and sound fiscal management have laid a solid foundation for strong growth and job creation. Ontario is on track to surpass the Government's ambitious goal of 725,000 new jobs by the end of 2000 and is well positioned to reach the Government's new target of 825,000 jobs over the following five years.

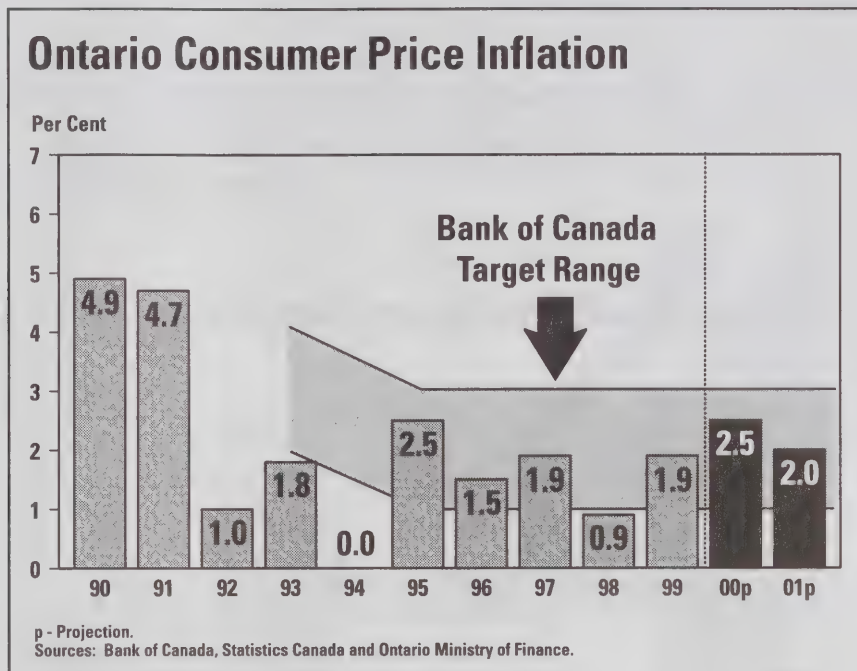
- Ontario created a record 198,000 new jobs in 1999, on the heels of 177,000 new jobs in 1998. These are the best two consecutive years of job creation in Ontario's history. Almost all of the jobs created in 1999 were full-time. Job creation has been broadly based with employment rising in most sectors of the economy.



- Strong economic growth is projected to support average annual job growth of up to 3.5 per cent in 2000 and up to 3.0 per cent in 2001.
- Rising job openings, tax cuts and welfare reform are encouraging more Ontarians to enter the labour force.
- The growth of income associated with more jobs and greater capital gains boosted Personal Income Tax (PIT) revenue by \$1,835 million above the 1999 Budget projection. In addition, Employer Health Tax revenue was \$135 million above last year's projection.

## ■ INFLATION REMAINS MODERATE

Despite strong growth, Ontario's CPI inflation is expected to remain in check, averaging 2.5 per cent in 2000 and 2.0 per cent in 2001. This is well within the Bank of Canada's target range.

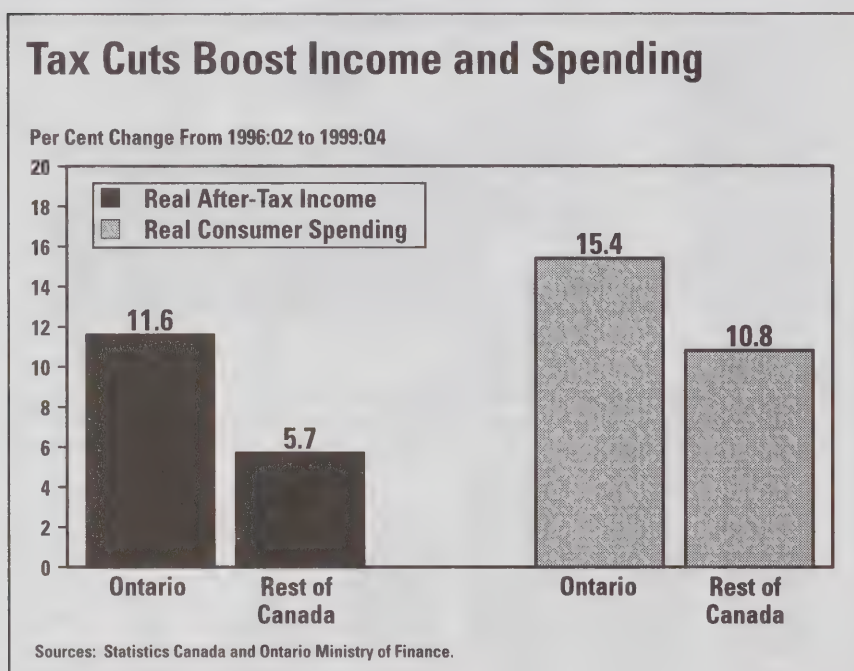


## ■ CONSUMER SPENDING BUOYED BY TAX CUTS AND RISING CONFIDENCE

Personal tax cuts and high and rising consumer confidence have led to robust growth in consumer spending. This pattern will continue in 2000 and will contribute to solid gains in real output and employment.

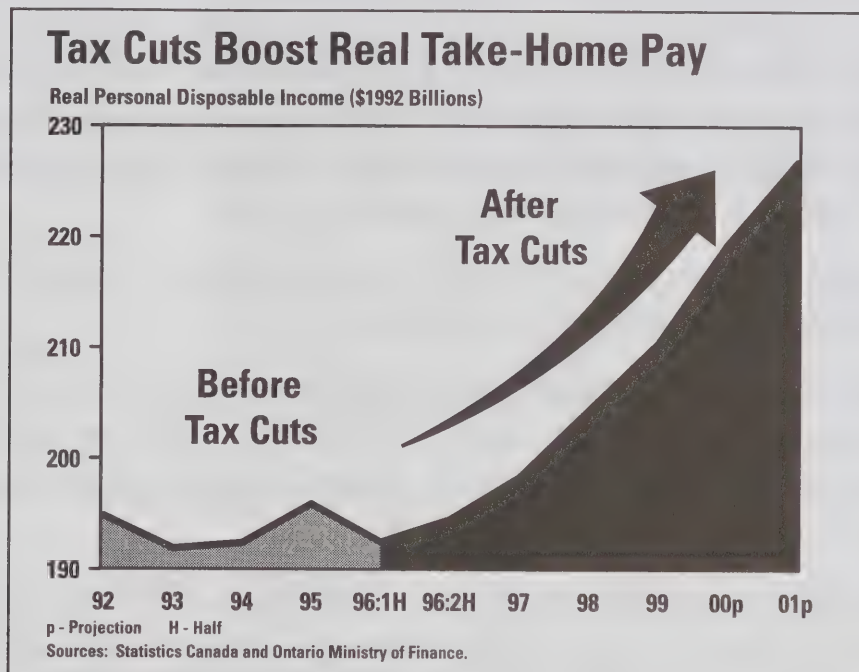
*"With after-tax household incomes...outpacing inflation and solid growth in profits, consumer and business confidence are on a strong upswing."*

*Scotiabank, February 2000*



- The Conference Board's index of consumer confidence has risen by 37.8 per cent since the end of 1995. This surpassed the 25.5 per cent increase for the rest of Canada during the same period.
- Real consumer spending surged 4.1 per cent in 1999, supported by strong growth in real after-tax income.
- Tax cuts and strong job creation have increased Ontarians' confidence in their economic prospects and reinforced their willingness to make important investment and spending decisions such as buying a home or purchasing a car. In 1999-00, Retail Sales Tax revenue was \$674 million higher than projected in the 1999 Budget.

- From the second quarter of 1996, when Ontario income tax cuts began, to the fourth quarter of 1999, Ontario real disposable income has increased by 11.6 per cent, more than double the 5.7 per cent pace for the rest of Canada.
- During the same period, Ontario real consumption has increased by 15.4 per cent, much stronger than the 10.8 per cent rise recorded for the rest of Canada.



- Real disposable income is expected to rise by 4.3 per cent in 2000 and 3.6 per cent in 2001. The sharp rise in income is supported by Ontario Government policies to reduce taxes and improve the business climate. These policies leave more money in the pockets of taxpayers and encourage business investment and job creation. Real consumer spending is expected to grow in line with disposable income, rising 3.9 per cent in 2000 and 3.0 per cent in 2001.



## ■ HOUSING OUTLOOK BRISK

*"Ontario's home markets will remain among Canada's top performers."*

*Canada Mortgage and Housing Corporation, February 2000*

The residential construction sector is expected to remain brisk in 2000, supported by strong job gains, rising incomes and population growth.

- The Land Transfer Tax (LTT) rebate for first-time buyers of new homes will continue to support the housing industry. Ontario housing starts are expected to rise to 73,000 in 2000. Residential construction spending in Ontario is projected to rise by 5.4 per cent in 2000 and a further 2.3 per cent in 2001.
- The vibrant housing market in Ontario in 1999 increased Land Transfer Tax revenue by \$90 million above the 1999 Budget forecast.
- Five-year mortgages have risen from their historic lows, with the posted rate at most financial institutions at 8.35 per cent in late April. Mortgage rates are expected to stay within 50 to 100 basis points of their current levels and will remain well below the peak of over 14 per cent reached in 1990.
- More significantly, housing remains very affordable. In 1999, the monthly carrying cost for an average-priced home in Ontario was \$970 compared to \$1,489 in 1990. As a share of after-tax household income, the same carrying cost fell to 21.2 per cent in 1999 from a high of 36.4 per cent in 1990.

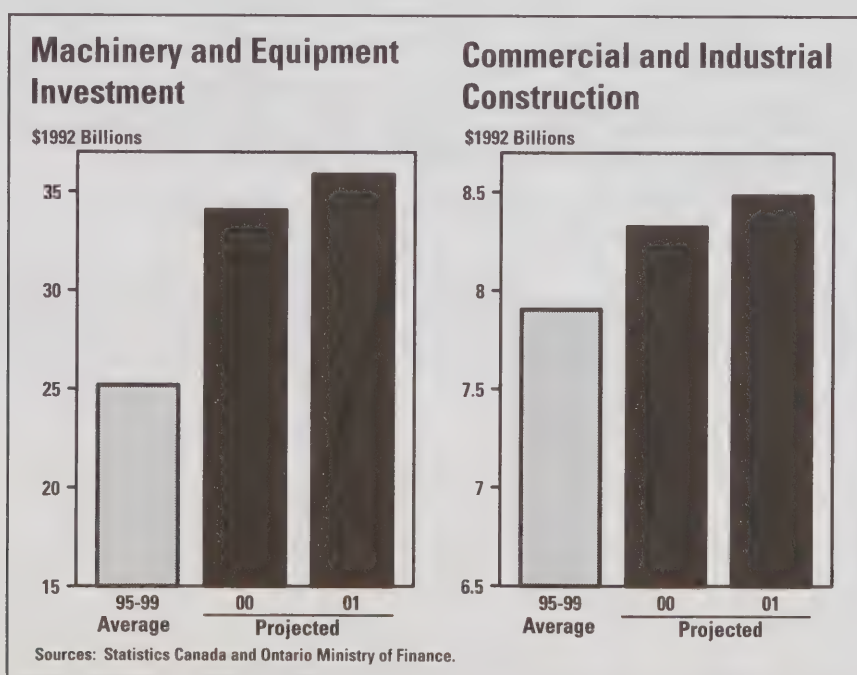
## ■ FIRMS CONTINUE UPGRADING AND INVESTING

New technologies, which are lowering costs and transforming the way we do business, require new capital goods and software. Ontario firms are rapidly upgrading their capital stock with modern, highly productive machinery, equipment and structures. These investments are leading to dynamic job creation, rising productivity and stronger output growth. Healthy investment growth over the past few years has been instrumental in enhancing Ontario's competitive position in the international economy.

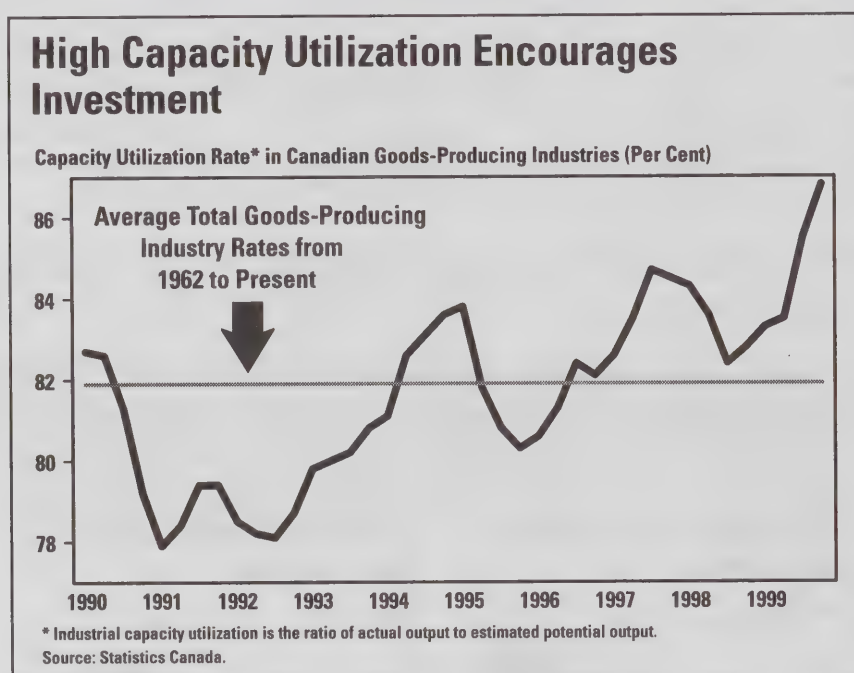
Corporate profits rose by 22.3 per cent in 1999, significantly stronger than expected. As a result, Corporations Tax revenue exceeded the 1999 Budget projection by \$776 million.

The real value of Ontario business investment in machinery and equipment rose by 80 per cent between 1995 and 1999. Real investment in commercial and industrial construction rose by 19 per cent over the same period.

- Machinery and equipment investment is projected to increase by an average of 7.0 per cent over 2000 and 2001.
- Spending in the commercial and industrial construction sector is expected to remain healthy, with a projected average increase of 2.1 per cent over the next two years.



- Large firms continue to demonstrate their commitment to the province. Firms with major current projects under way or announced include Dofasco, DuPont Canada, Nortel Networks and Stelco. Ontario's attractiveness as an investment location continues to draw new capital expenditure projects in the key automotive sector. DaimlerChrysler Canada, Ford of Canada, General Motors Canada, Honda Canada and Toyota Motor Manufacturing Canada are all making significant new investments in Ontario.
- Capacity utilization remains above its long-term average, prompting firms to invest further. Capacity utilization in the transportation equipment industry, for example, jumped to 91.4 per cent in 1999, a record high.



- Ontario industrial real estate development is growing strongly. Commercial and industrial building permits rose an average of 23.8 per cent over the past three years.



## ■ EXPORT GROWTH REMAINS SOLID

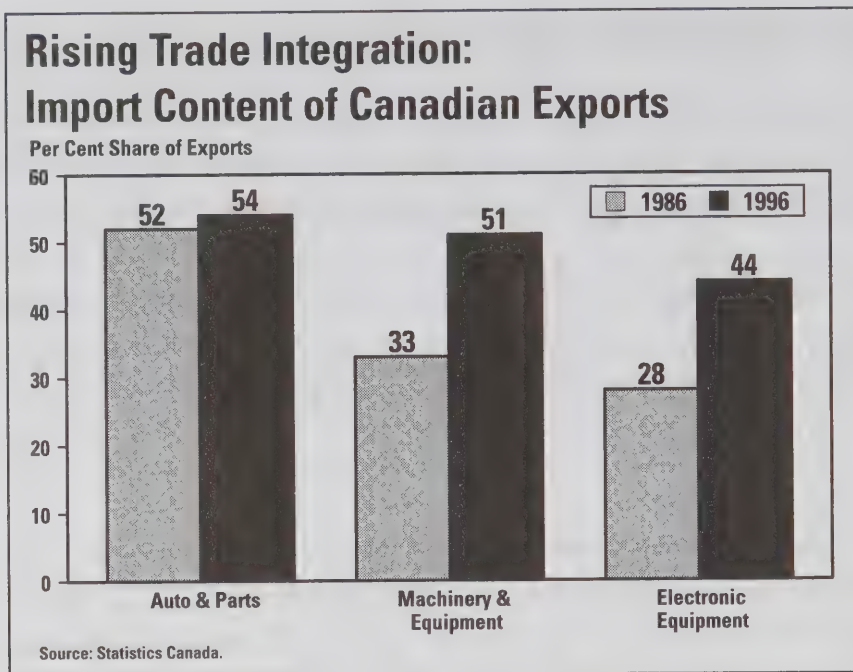
Ontario export industries recorded another banner year in 1999, with real exports up 10.7 per cent. Ontario's real exports are projected to remain strong in 2000 and 2001 with continued U.S. growth and rising demand in Europe and Asia.

- International trade has increased in importance to the Ontario economy through the 1990s. The province's international orientation has increased sharply. Ontario's exports were equivalent to only 29.4 per cent of GDP in 1989. This ratio rose to 54.4 per cent in 1999.

Strong growth in exports has been accompanied by rising imports. In large part this reflects the increasing integration of the North American economy. A significant consequence of this trend is the increasing import content of manufactured exports. This matches the experience of the Canadian auto industry, which has benefited from free trade with the United States since 1965. It has long been completely integrated on a North American basis, with the import content of exports exceeding 50 per cent.

- The following chart shows that, in recent years, since the implementation of the North American Free Trade Agreement (NAFTA), the import content of other manufactured exports also has increased sharply. A recent Statistics Canada study shows that this trend is particularly evident in the fast-growing industries producing electronic equipment and other capital goods for the world economy. Increased integration and specialization brings with it the promise, over time, of the strong productivity growth that has characterized Ontario's auto industry.





- Since 1995, net trade (exports minus imports) has accounted for 16.0 per cent of Ontario's total GDP growth.
- The auto sector, which accounts for nearly half of Ontario's total international exports, led export growth in 1999, rising 26 per cent. Ontario's auto industry recorded another record-breaking year in 1999, producing nearly three million cars and trucks.
- Prospects for Ontario's auto industry exports are bright. New investment is expanding and improving plants, while U.S. demand for autos and trucks is projected to remain strong.
- Knowledge-based, high-technology industries continue to grow in importance to the Ontario economy. In 1999, telecommunications equipment exports grew by 12.3 per cent in real terms, while computer exports jumped 18.1 per cent.

## ■ STRONG REVENUE PERFORMANCE

Ontario's tax cuts have fuelled robust growth in domestic demand and substantially increased government revenues. This performance was well above forecasts. Taxation revenue in 1999-00 was \$3.1 billion above the 1998-99 level. Tax revenues are expected to continue to grow in 2000-01 as a result of continuing strong growth in the Ontario economy.

Total revenue in 2000-01 is projected to be slightly below the 1999-00 level due to the inclusion in 1999-00 revenue of \$1,580 million for the net proceeds from the sale of Highway 407.

<b>Ontario Revenues: 1998-99 to 2000-01</b>			
(\$ Millions)			
	<b>Actual 1998-99</b>	<b>Interim 1999-00</b>	<b>Projected 2000-01</b>
<b>Taxation Revenue</b>	43,077	46,192	47,323
Personal Income Tax	17,190	17,505	17,530
Retail Sales Tax	11,651	12,784	13,400
Corporations Tax	7,447	8,596	8,765
All Other	6,789	7,307	7,628
<b>Federal Payments</b>	4,515	5,888	6,032
<b>Income from Government Enterprises</b>	2,547	3,507	3,423
<b>Other Revenue</b>	5,647	6,885	5,282
<b>Total Revenue</b>	<b>55,786</b>	<b>62,472</b>	<b>62,060</b>
<b>Total Revenue Excluding Highway 407 Sale</b>	<b>55,786</b>	<b>60,892</b>	<b>62,060</b>

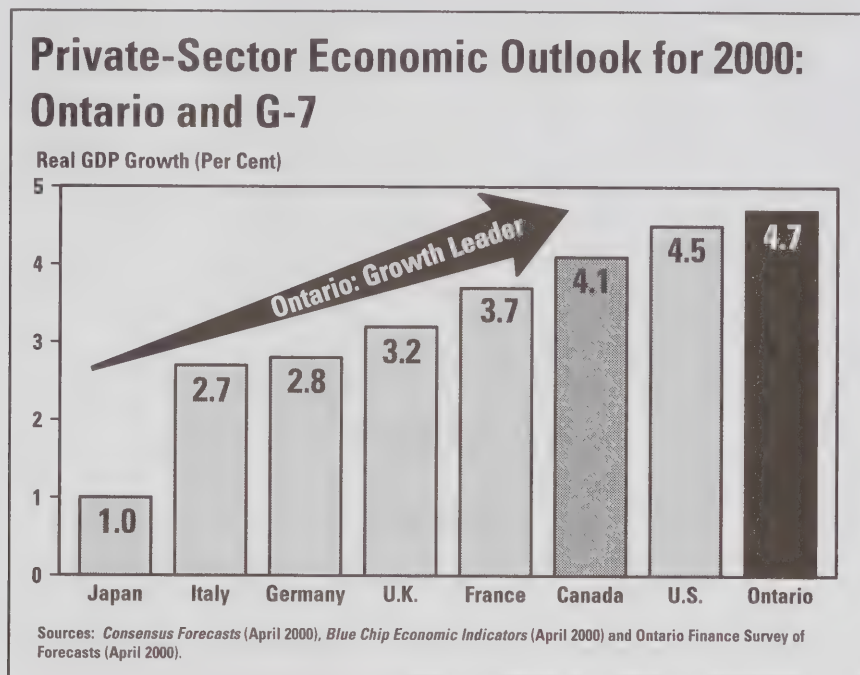
Driven by continued gains in employment, incomes, consumer spending and corporate profits, tax revenue is forecast to increase by over \$1.1 billion in 2000-01.

- Personal Income Tax revenue is projected at \$17,530 million.
- Continued strong growth in business and consumer spending, raising retail sales by 6.4 per cent in 2000, is expected to boost Retail Sales Tax revenue to \$13,400 million.

- Corporations Tax revenue is forecast to increase to \$8,765 million in 2000-01.
- Strong job creation and healthy wage gains are expected to increase Employer Health Tax revenues to \$3,320 million in 2000-01.
- Transfers from the Government of Canada are forecast to be \$6,032 million in 2000-01. This amount includes \$4,857 million for the Canada Health and Social Transfer (CHST), including the increase in CHST allocation and Supplements. This will be 27 per cent lower than in 1994-95.
- Income from Government Enterprises is expected to be \$3,423 million.
- Other Revenue is expected to be \$5,282 million. This is \$1,603 million below the 1999-00 level, which included \$1,580 million for the net proceeds from the sale of Highway 407.

## ■ CONCLUSION

The Ontario economy is poised for continued vigorous growth in 2000. Robust domestic demand assisted by solid export growth is underpinning future growth. Strong job creation is continuing; the unemployment rate is declining. The private-sector consensus projects real GDP growth of 4.7 per cent in 2000 and a further 3.2 per cent in 2001. This is, once again, faster than economic growth in the rest of Canada or any of the other G-7 major industrial countries.



By reducing tax rates and eliminating obstacles to market-led growth, the Ontario Government has established a framework for a strong economy that generates the revenues needed to pay for valued public services and infrastructure. Provincial tax revenues are projected to grow by over \$1.1 billion in 2000-01.







## **PAPER A**

### **Appendix**

## ■ DETAILS OF THE ONTARIO ECONOMIC AND REVENUE OUTLOOK

The following tables and charts provide further details about the Ontario Ministry of Finance economic and revenue projections.

### The Ontario Economy, 1998 to 2001

(Per Cent Change)

	Actual		Projected	
	1998	1999	2000	2001
<b>Real Gross Domestic Product</b>	<b>4.3</b>	<b>5.7</b>	<b>4.6</b>	<b>3.1</b>
Personal consumption	3.4	4.1	3.9	3.0
Residential construction	(1.2)	14.6	5.4	2.3
Non-residential construction	(3.8)	0.8	2.3	1.9
Machinery and equipment	10.6	11.8	8.6	5.3
Exports	8.8	10.7	7.9	5.3
Imports	6.4	11.2	8.6	5.6
<b>Nominal Gross Domestic Product</b>	<b>4.3</b>	<b>7.1</b>	<b>6.5</b>	<b>4.7</b>
<b>Other Economic Indicators</b>				
Retail sales	6.9	7.3	6.4	4.8
Housing starts (000s)	53.8	67.2	73.0	70.0
Personal income	4.8	4.5	5.7	5.0
Corporate profits	0.3	22.3	13.2	3.6
Ontario Consumer Price Index	0.9	1.9	2.5	2.0
<b>Labour Market</b>				
Employment*	3.3	3.6	3.0 – 3.5	2.5 – 3.0
Unemployment rate* (per cent)	7.2	6.3	5.5 – 6.0	5.0 – 5.5

\* Based on Labour Force Survey.

Sources: Statistics Canada and Ontario Ministry of Finance.

For prudent planning purposes, the interest rate on three-month Government of Canada treasury bills is assumed to be 50 to 60 basis points higher than the average private-sector forecast. Interest rates on 10-year Government of Canada bonds are assumed to be 20 basis points higher than the average private-sector forecast.

### Interest Rate Assumptions

(Average Per Cent)

	1999	2000 Jan-Apr	2000 May-Dec	2001
<b>3-month Government of Canada treasury bills</b>				
Private-sector survey average	4.7	5.2	5.7	5.7
Ontario's assumption			6.3	6.2
<b>10-year Government of Canada bonds</b>				
Private-sector survey average	5.6	6.2	6.3	6.3
Ontario's assumption			6.5	6.5

Sources: Bank of Canada, Ontario Ministry of Finance and Ontario Finance Financial Market Survey (April 2000).

The following table shows the sensitivity of the fiscal balance to the direct impact of lower interest rates on public debt interest and the impact of stronger economic growth on revenues and expenditures.

### Impact of Changes in Economic Assumptions on the Ontario Surplus

(\$ Millions)

	2000-01
100 Basis Points Lower Canadian Interest Rates	80
1 Percentage Point Higher Real GDP Growth	565

Note: These responses would hold "on average" and could vary significantly depending on the composition of change in income and expenditures.

Source: Ontario Ministry of Finance.



## Revenue

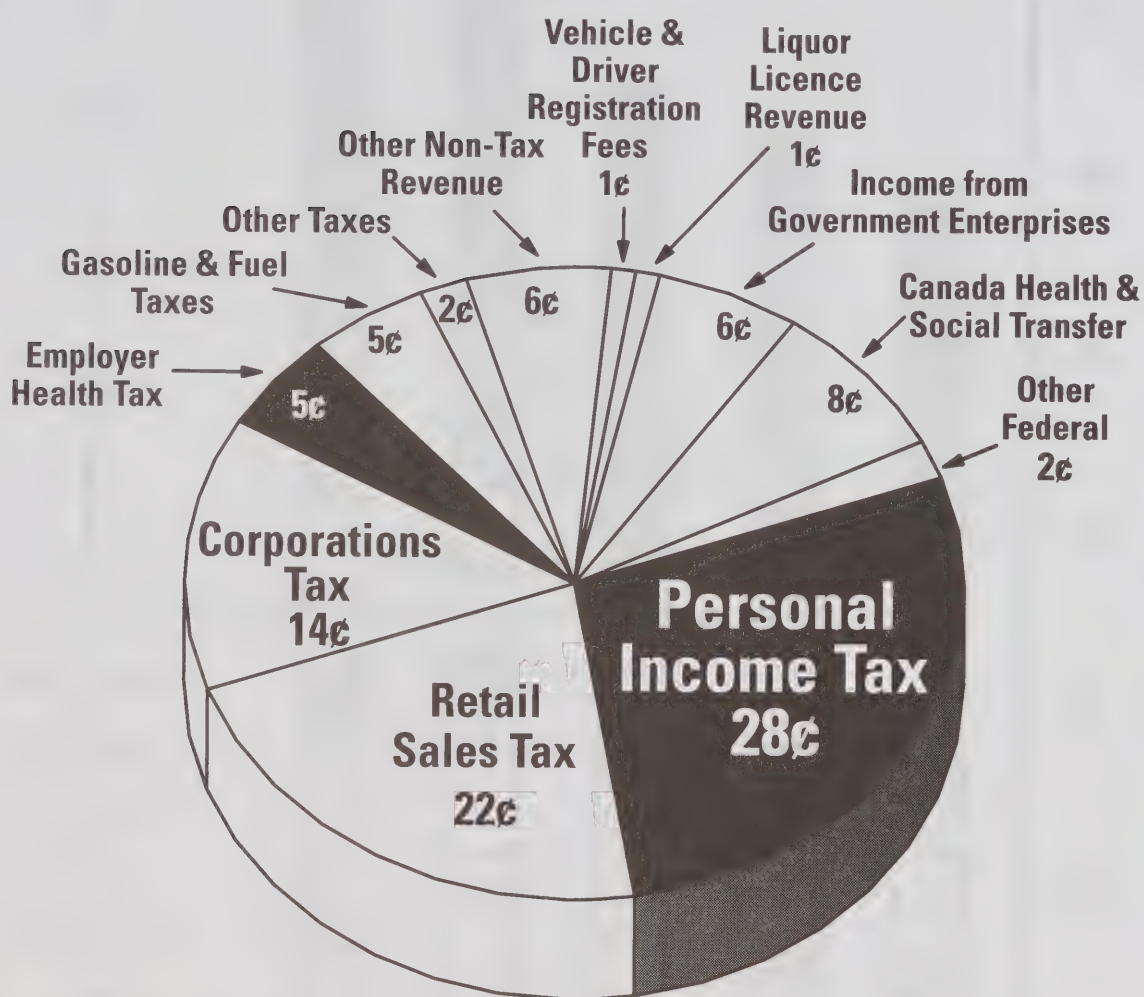
(\$ Millions)

	Actual 1996-97	Actual 1997-98	Actual 1998-99	Interim 1999-00	Projected 2000-01
<b>Taxation Revenue</b>					
Personal Income Tax	16,357	16,293	17,190	17,505	17,530
Retail Sales Tax	9,964	10,843	11,651	12,784	13,400
Corporations Tax	5,852	7,456	7,447	8,596	8,765
Employer Health Tax	2,772	2,851	2,882	3,125	3,320
Gasoline Tax	1,951	2,028	2,068	2,175	2,260
Fuel Tax	540	563	592	635	665
Tobacco Tax	356	425	447	481	510
Land Transfer Tax	452	565	470	570	580
Mining Profits Tax	54	40	23	53	55
Race Tracks Tax	46	4	6	5	5
Preferred Share Dividends Tax	73	60	50	35	40
Other Taxation	113	141	251	228	193
	<b>38,530</b>	<b>41,269</b>	<b>43,077</b>	<b>46,192</b>	<b>47,323</b>
<b>Government of Canada</b>					
Canada Health and Social Transfer	4,814	3,970	3,553	3,767	3,548
Increase in CHST Allocation	-	-	-	190	552
CHST Supplements	-	-	-	755	757
Social Housing	341	387	358	503	533
Student Assistance	9	18	64	171	171
Indian Welfare Services	128	87	155	112	114
Bilingualism Development	44	49	55	65	64
Employability Assistance for People with Disabilities	65	53	71	66	66
Canada-Ontario Infrastructure Works	142	116	71	25	-
Other	235	418	188	234	227
	<b>5,778</b>	<b>5,098</b>	<b>4,515</b>	<b>5,888</b>	<b>6,032</b>
<b>Income from Government Enterprises</b>					
Ontario Lottery and Gaming Corporation*	1,248	1,485	1,764	1,811	1,695
Liquor Control Board of Ontario	701	745	809	844	915
Ontario Hydro Successor Companies	-	-	-	820	795
Other	10	61	(26)	32	18
	<b>1,959</b>	<b>2,291</b>	<b>2,547</b>	<b>3,507</b>	<b>3,423</b>
<b>Other Revenue</b>					
Vehicle and Driver Registration Fees	816	820	890	923	920
Other Fees and Licences	560	548	661	637	670
Liquor Licence Revenue	520	506	519	528	530
Royalties	264	286	289	294	240
Sales and Rentals	543	582	640	2,339	790
Fines and Penalties	157	174	50	40	35
Local Services Realignment - Reimbursement of Expenditure	-	519	2,109	1,665	1,572
Miscellaneous	323	425	489	459	525
	<b>3,183</b>	<b>3,860</b>	<b>5,647</b>	<b>6,885</b>	<b>5,282</b>
<b>Total Revenue</b>	<b>49,450</b>	<b>52,518</b>	<b>55,786</b>	<b>62,472</b>	<b>62,060</b>
<b>Total Revenue Excluding Highway 407 Sale</b>	<b>49,450</b>	<b>52,518</b>	<b>55,786</b>	<b>60,892</b>	<b>62,060</b>

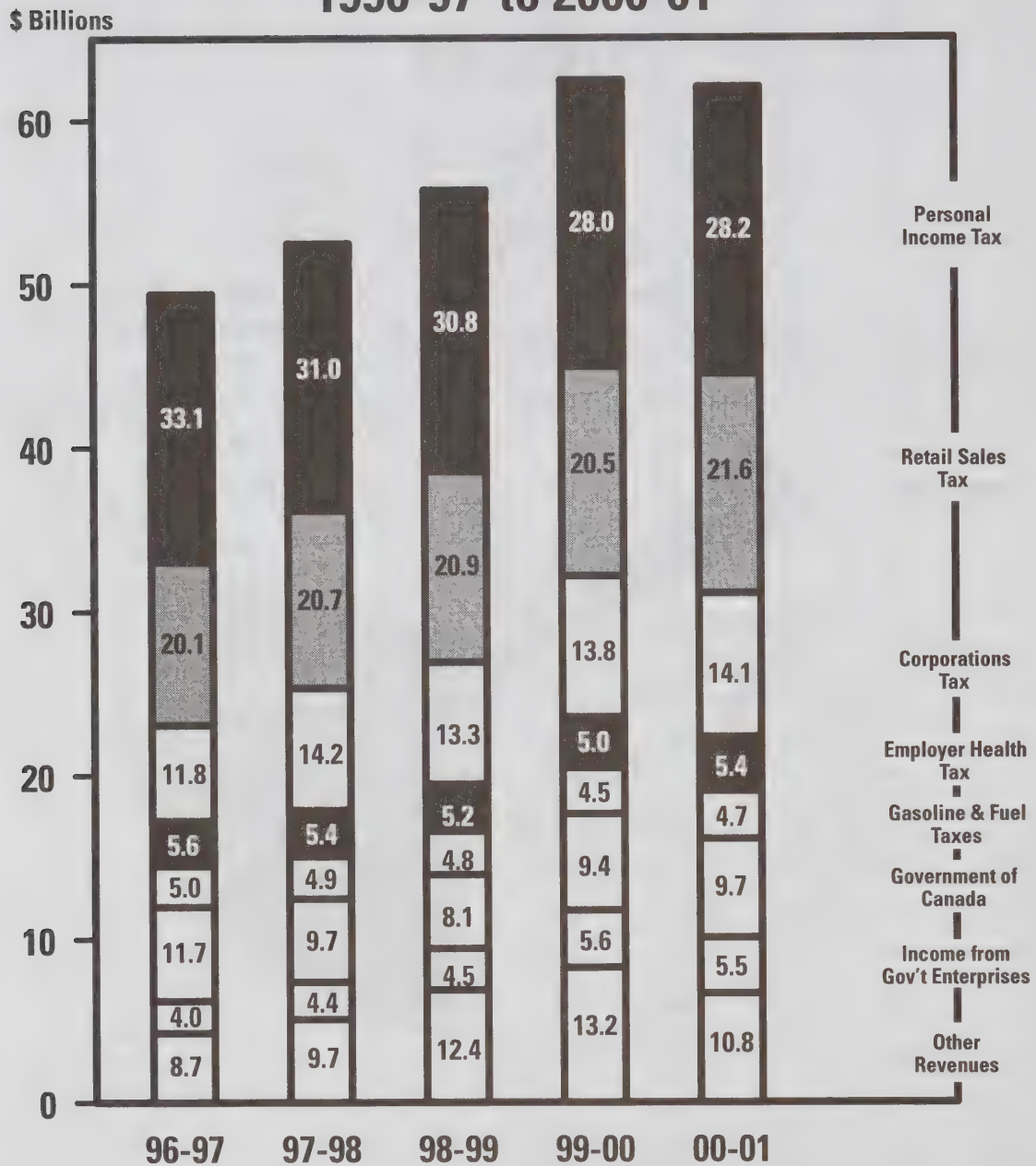
\*Effective April 1, 2000, the Ontario Lottery Corporation and Ontario Casino Corporation merged to form the Ontario Lottery and Gaming Corporation.

Source: Ontario Ministry of Finance.

# The Budget Dollar: Revenue 2000-01



## Revenue Sources by Category Per Cent of Total 1996-97 to 2000-01





## **BUDGET PAPER B**

**Ontario's Fiscal Plan:  
"The Best Fiscal Performance in More than  
Half a Century"**





## ■ INTRODUCTION

The 2000 Ontario Budget represents an historic achievement. After a decade of deficits, Ontario is now on track to record back-to-back balanced budgets in 1999-00 and 2000-01. These are the first back-to-back balanced budgets in more than half a century.

During World War II, in 1942-43 and 1943-44, Ontario recorded two consecutive budget surpluses.

By recording a \$654 million surplus for the fiscal year 1999-00, the 2000 Ontario Budget is delivering, one year ahead of schedule, on the Government's commitment to balance the budget. Moreover, the Province is on track to balance the budget again in 2000-01 as well.

To help ensure that the era of repeated annual deficits does not recur, in December 1999 the Government introduced and the Legislature passed the *Taxpayer Protection and Balanced Budget Act, 1999*. Ontario's fiscal position is now on a more stable and secure track, one that is designed to deliver on the Government's debt-reduction commitment of at least \$5 billion during this mandate.

This paper reviews the following:

**Section I:** Interim results, 1999-00

**Section II:** Fiscal plan, 2000-01

**Section III:** SuperBuild infrastructure investments

**Section IV:** Ontario's commitment to health care

**Section V:** Ontario's recent fiscal record of exceeding its fiscal performance commitments

## ■ SECTION I: INTERIM RESULTS, 1999-00

### Balanced Budget Achieved One Year Early

With a budgetary surplus in 1999-00, the Government has achieved its Balanced Budget Plan target one year ahead of schedule. The 1999-00 interim outlook of a \$654 million surplus is a \$2,730 million improvement from the 1999 Budget forecast, and a \$3.3 billion improvement over the original Balanced Budget Plan deficit target of \$2.6 billion. As a result of prudent and realistic planning, this is the fifth year in a row in which the Balanced Budget Plan deficit-reduction target has been overachieved.

#### 1999-00 In-Year Fiscal Performance

(\$ Millions)

	Budget Plan	Interim	In-Year Change
<b>Revenue</b>	58,150	62,472	4,322
<b>Expenditure</b>			
Programs	47,025	47,581	556
Restructuring and Other Charges	—	226	226
Total Program Expenditure	47,025	47,807	782
Capital	2,883	4,511	1,628
Public Debt Interest			
Provincial	9,298	8,980	(318)
Ontario Hydro Successor Companies	520	520	—
Total Expenditure	59,726	61,818	2,092
Reserve	500	—	(500)
<b>Surplus / (Deficit)</b>	<b>(2,076)</b>	<b>654</b>	<b>2,730</b>
<b>Contribution to Net Debt Reduction</b>	—	<b>654</b>	
<b>Surplus / (Deficit) after Net Debt Reduction</b>	—	<b>0</b>	

Source: Ontario Ministry of Finance.

- Revenue was \$4,322 million above the 1999 Budget Plan. Most of the increase was a result of the vigorous pace of economic growth, which boosted tax revenues by \$3,607 million above the 1999 Budget forecast.
- Total expenditure was \$2,092 million higher than projected in the 1999 Budget, largely due to strategic, one-time investments in health, education and infrastructure.

- Restructuring and Other Charges of \$226 million in 1999-00 include a \$149 million increase to the estimated provision for costs related to the implementation of Local Services Realignment and an increase of \$77 million for Ontario Public Service (OPS) restructuring costs.
- The 1999 Budget Plan included a \$500 million reserve to protect the fiscal plan against unexpected and adverse changes in the economic and fiscal outlook. With the improvements in the in-year revenue outlook and the strength of the Ontario economy, the reserve was eliminated in-year and applied to deficit reduction and debt repayment.



## 1999-00 REVENUE PERFORMANCE

Total revenue in 1999-00 was \$4,322 million above the level projected in the 1999 Budget. Most of the increase was a result of the vigorous pace of economic growth, which boosted tax revenues \$3,607 million above the 1999 Budget forecast. Other revenue sources including Federal Payments, Income from Government Enterprises and Other Revenue were also above projection.

<b>Summary of In-Year Changes to Revenue in 1999-00</b>		
(\$ Millions)		
		<b>Interim 1999-00</b>
<b>Taxation Revenue</b>		
Personal Income Tax	1,835	
Retail Sales Tax	674	
Corporations Tax	776	
Employer Health Tax	135	
Land Transfer Tax	90	
All Other	97	
		<b>3,607</b>
<b>Federal Payments</b>		
Canada Health and Social Transfer	40	
All Other	292	
		<b>332</b>
<b>Income from Government Enterprises</b>		
Ontario Hydro Successor Companies	293	
Ontario Lottery and Gaming Corporation	(114)	
Other	81	
		<b>260</b>
<b>Other Revenue</b>		
Royalties	69	
Vehicle and Driver Registration Fees	43	
Sales and Rentals	109	
Local Services Realignment – Reimbursement of Expenditure	(129)	
All Other	31	
		<b>123</b>
<b>Total In-Year Revenue Changes</b>		<b>4,322</b>

Source: Ontario Ministry of Finance.



## 1999-00 In-Year Operating Expenditure Changes

Operating expenditure for 1999-00 was \$464 million higher than forecast in the 1999 Budget, increasing from \$56,843 million to \$57,307 million. This increase is mainly due to necessary investments in priority sectors such as health care and education, as well as about \$300 million in in-year spending increases fully offset by funding from the federal government.

### Summary of In-Year Operating Expenditure Changes in 1999-00

(\$ Millions)

	Interim 1999-00
<b>Program Expenditure Changes:</b>	
Hospital Funding – front-line patient care and transitional assistance	431
School Board Phase-in Funding – one-time grant	268
Canada Millennium Scholarships – increased funding *	107
Child Welfare – volume and transition costs	106
Canada-Ontario Social Housing Agreement – transfer of federal programs *	85
Teachers' Pension Plan – reduced expenditures	(278)
Other Changes (net)	63
<b>Total Program Expenditure Changes</b>	<b>782</b>
<b>Public Debt Interest</b>	<b>(318)</b>
<b>Total In-Year Operating Expenditure Changes</b>	<b>464</b>

\* Fully offset by federal transfers.

Source: Ontario Ministry of Finance.

- An additional \$431 million was provided in-year to hospitals including \$196 million for priority programs and to address demographic changes, and \$235 million primarily for transitional health care restructuring.
- A one-time grant of \$268 million was provided in-year to school boards in order to complete the phase-in funding component of the School Board Operating Grant. This will facilitate the move to fair funding and enable affected school boards to proceed with restructuring projects.

- An additional \$107 million was provided in-year for Canada Millennium Scholarships, fully offset by increased transfers from the federal government.
- An additional \$106 million was provided in-year for Child Welfare Services to address higher volume as well as transition costs associated with child welfare reform.
- The transfer of federal programs to the Province under the Canada-Ontario Social Housing Agreement resulted in a net in-year expenditure increase of \$85 million, including the impact of this agreement on the Ontario Housing Corporation. This increase was fully offset by federal payments.
- Teachers' Pension Plan expenditure fell in-year by \$278 million, mainly due to a higher-than-expected investment return on pension fund assets and increased interest revenue on a higher-than-expected pension plan surplus.
- A smaller financing program, coupled with higher interest earnings on the Province's liquid reserve portfolio, generated in-year Public Debt Interest (PDI) savings of \$318 million.



## 1999-00 In-Year Capital Expenditure Changes

SuperBuild capital expenditure for 1999-00 at \$4,511 million, was \$1,628 million higher than the 1999 Budget Plan outlook of \$2,883 million, mainly due to an acceleration of Health Services Restructuring Commission (HSRC) directed capital projects, an additional investment in the Ontario Innovation Trust and additional funding for new capital projects and renovations at Ontario's colleges and universities.

### Summary of In-Year Capital Expenditure Changes in 1999-00

(\$ Millions)

	Interim 1999-00
Health Services Restructuring – accelerated capital projects	1,004
Ontario Innovation Trust – additional endowment	500
Post-Secondary Education Expansion Projects – additional projects	231
Post-Secondary Education – major renovation projects	55
Health Capital – construction delays	(76)
GO Transit – devolution	(15)
Adult Infrastructure (jails) – construction delays	(8)
All Other Changes (Net)	(63)
<b>Total In-Year Capital Expenditure Changes</b>	<b>1,628</b>

Source: Ontario Ministry of Finance.

- Through SuperBuild, \$1,004 million was provided to hospitals to help accelerate Health Services Restructuring Commission (HSRC) directed capital projects. By providing the Province's 70 per cent share for these projects up front, hospitals will be better positioned to accelerate restructuring efforts in the health care sector.
- An additional \$500 million endowment to the Ontario Innovation Trust will provide added resources to Ontario research institutions for research infrastructure, including laboratories and equipment, while helping them to attract other public- and private-sector contributions. The initial endowment in 1998-99 was \$250 million.
- An added \$231 million in grants was provided in-year to universities and colleges to support construction of new classrooms, laboratories and other facilities needed to accommodate a growing student population.



- SuperBuild also allocated \$55 million in-year for increased funding to upgrade college and university facilities to provide a modern learning environment, while accommodating higher enrolment for college and university students. This will help post-secondary institutions use existing facilities more efficiently to accommodate growth in student demand.
- Construction delays reduced capital expenditures on health facilities in-year by \$76 million. The funding for these construction projects has been reallocated to 2000-01 and future years.
- GO Transit was fully transferred to municipalities in August 1999. This was ahead of schedule, resulting in \$15 million in savings which were offset by lower revenue reimbursements from municipalities.
- Slower-than-projected construction of Adult Infrastructure Renewal projects (jails) resulted in \$8 million in underspending.



## Local Services Realignment Transition Measures

Starting in 1998, the provincial and municipal levels of government initiated the exchange of funding and delivery of various services from one level of government to another. The objective of the Local Services Realignment (LSR) initiative is to improve accountability, reduce waste, and provide Ontario taxpayers with improved government services at the best possible price.

The financial responsibility for a number of LSR programs was transferred to municipalities starting on January 1, 1998. To ensure a smooth transition, the Province is continuing to deliver some of these programs on behalf of municipalities, pending program transfer. During the transition period, municipalities reimburse the Province for these expenditures made on their behalf.

<b>Local Services Realignment Transition Measures: Impact on Fiscal Plan</b>		
(\$ Millions)		
	1999-00	2000-01
<b>Transition Expenditures</b>		
Social Housing	767	797
Social Assistance	581	545
Child Care	17	—
Land Ambulance	94	94
GO Transit	24	—
Provincial Offences Act	14	7
Grant in Respect of Provincial Offences Act Net Revenues	84	69
<b>Total Increase in Expenditure</b>	<b>1,581</b>	<b>1,512</b>
<b>Reimbursement of Expenditure from Municipalities</b>	<b>1,479</b>	<b>1,406</b>
<b>Provincial Offences Act Revenue</b>	<b>98</b>	<b>76</b>
<b>Net Impact on Surplus</b>	<b>(4)</b>	<b>(30)</b>

Source: Ontario Ministry of Finance.

- Social Housing expenditures in 1999-00 were reduced by \$30 million as a result of a recovery of prior years' expenditures, leading to a year-over-year increase. These recoveries are primarily related to pre-1998-99 costs, which do not affect municipal reimbursements.
- Municipalities have assumed direct responsibility for GO Transit and Child Care programs under Local Services Realignment in 1999-00. As a result, the Province will not incur transitional costs for these programs in 2000-01.
- Provincial transitional expenditures associated with the *Provincial Offences Act* will decline in 2000-01 as a result of the transfer of a portion of this program to direct municipal responsibility during 1999-00.

## ■ SECTION II: FISCAL PLAN, 2000-01

A balanced budget is forecast for 2000-01. With the achievement of a budget surplus in 1999-00, the Government is projecting two consecutive balanced budgets for Ontario, the first time in more than half a century.

<b>2000-01 Fiscal Plan</b>					
(\$ Millions)					
	<b>Interim 1999-00</b>	<b>Plan 2000-01</b>	<b>Change</b>		<b>Outlook 2001-02</b>
			<b>\$ Million</b>	<b>Per Cent</b>	
<b>Revenue</b>	62,472	62,060	(412)	(0.7)	63,400
<b>Expenditure</b>					
Programs	47,581	49,525	1,944	4.1	51,000
Restructuring and Other Charges	226	—	(226)	—	—
Total Programs Expenditure	47,807	49,525	1,718	3.6	51,000
Capital	4,511	2,075	(2,436)	(54.0)	2,000
Public Debt Interest					
Provincial	8,980	8,940	(40)	(0.4)	8,900
Ontario Hydro Successor Companies	520	520	—	—	500
Total Expenditure	61,818	61,060	(758)	(1.2)	62,400
Reserve	—	1,000	1,000	—	1,000
<b>Surplus / (Deficit)</b>	<b>654</b>	<b>0</b>	<b>(654)</b>	<b>—</b>	<b>0</b>
<b>Contribution to Net Debt Reduction</b>	<b>654</b>				
<b>Surplus / (Deficit) after Net Debt Reduction</b>	<b>0</b>				

Source: Ontario Ministry of Finance.

- Revenue is projected at \$62,060 million for 2000-01. Total revenue in 2000-01 is projected to be slightly below the 1999-00 level due to the inclusion in 1999-00 revenue of \$1,580 million from the net proceeds of the sale of Highway 407.
- Total expenditure in 2000-01 is projected at \$61,060 million, \$758 million lower than the 1999-00 level of \$61,818 million. The decline in total spending in 2000-01 is largely due to a return to the base level of planned SuperBuild capital investments, following one-time, in-year investments in health and post-secondary education. This reduction is partially offset by an increase in base operating health spending in the 2000-01 fiscal year.

- As part of the Province's prudent budgeting practices, a \$1 billion reserve has been included in the 2000-01 fiscal plan to protect the balanced budget against unexpected and adverse changes in the economic and fiscal outlook. The \$500 million increase in the reserve in 2000-01 provides an added degree of caution which will better able the Government to meet its commitment to reduce Net Provincial Debt by at least \$5 billion during this mandate. The higher reserve will be available for debt reduction if not needed.
- In 2001-02, the Government is forecasting a balanced budget, as required by the *Balanced Budget Act, 1999*. The 2001-02 fiscal outlook also includes a \$1 billion reserve.



## 2000-01 Revenue Outlook

Ontario's robust economic performance in 1999 provided a strong boost to revenue growth in 1999-00. Tax revenue is expected to grow again in 2000-01 as a result of continuing strong growth in the Ontario economy.

Total revenue in 2000-01 is projected to be slightly below the 1999-00 level due to the inclusion in 1999-00 revenue of \$1,580 million from the net proceeds of the sale of Highway 407.

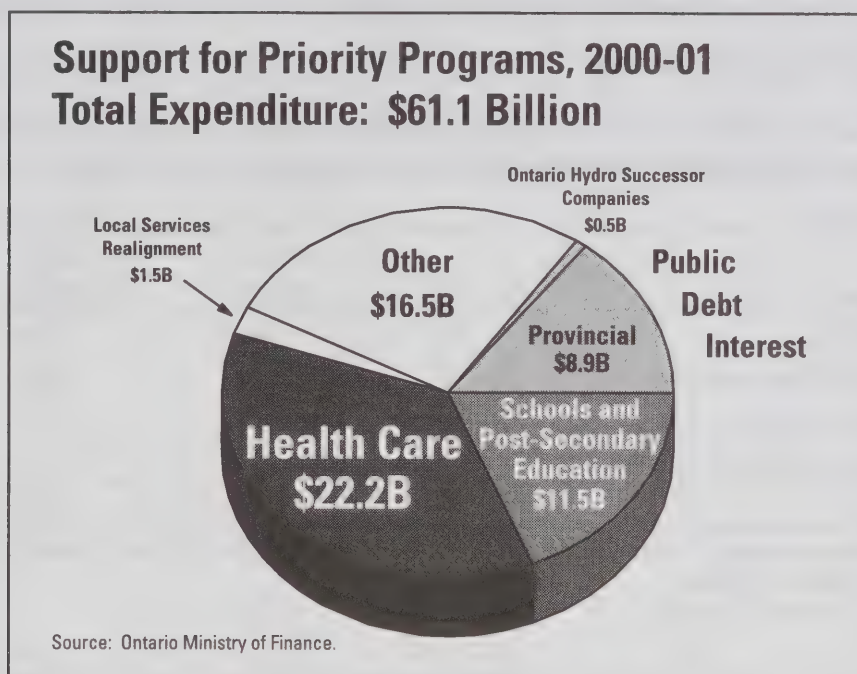
<b>2000-01 Revenues</b>			
(\$ Millions)			
	<b>Actual 1998-99</b>	<b>Interim 1999-00</b>	<b>Plan 2000-01</b>
Taxation	43,077	46,192	47,323
Federal Payments	4,515	5,888	6,032
Income from Government Enterprises	2,547	3,507	3,423
Other Revenue	5,647	6,885	5,282
<b>Total Revenue</b>	<b>55,786</b>	<b>62,472</b>	<b>62,060</b>
<b>Total Revenue Excluding Highway 407 Sale</b>	<b>55,786</b>	<b>60,892</b>	<b>62,060</b>

Source: Ontario Ministry of Finance.

- Details on the 2000-01 revenue outlook can be found in Budget Paper A, *Ontario's Economic and Revenue Outlook: Record Performance and Continuing Strong Growth*.

## 2000-01 Expenditure Outlook

The Government continues to focus its expenditures on priority sectors such as health care and education while finding cost efficiencies to assure taxpayers that their money is spent wisely and effectively.



- In 2000-01, total base health care funding will rise to \$22.2 billion, excluding Local Services Realignment (LSR) Land Ambulance reimbursements, a \$1.3 billion increase above the 1999-00 level.
- In 2000-01, total spending on schools and post-secondary education, excluding expenditures on the Teachers' Pension Plan, will be \$11.5 billion.

## Continued Support for Health Care, Ontario's Charities, Communities and the Agricultural Sector

Legislation dedicates all provincial revenue generated from charity casinos and slot machines at race tracks to support priority services, including health care, problem gambling programs, and funding for charities and not-for-profit organizations through the Ontario Trillium Foundation.

### Support for Ontario's Charities, Problem Gambling and Health Care (\$ Millions)

Program	Interim 1999-00	Plan 2000-01
Health Care	63	185
Ontario Trillium Foundation	100	100
Problem Gambling	10	17
Transition Funding for Charities*	30	—
<b>Total</b>	<b>203</b>	<b>302</b>

\* Reflects remaining commitments to distribute funds from the \$40 million Advance Funding Program for Charities

Source: Gaming Secretariat.

Provincial revenues from Charity Casinos and slot machines at race tracks are as follows:

- The Ontario Trillium Foundation is providing \$100 million annually for distribution to charitable and not-for-profit organizations throughout the province. The Foundation's Annual Report identifies the specific charities that receive funding.
- Two per cent of gross slot machine revenue has been dedicated to support problem gambling treatment, awareness and research. In 2000-01, this is estimated at \$17 million, more than any other jurisdiction in North America.
- The remaining \$185 million of provincial revenue from charity casinos and slot machines at race tracks has been dedicated to support health care priorities.

**Other beneficiaries of Charity Casinos and slot machines at race tracks include:**

- Twenty per cent of gross race track slot machine revenue is provided to the horse-racing sector. For 2000-01, this support is estimated at \$138 million. The slot machine initiative is preserving and enhancing the 45,000 jobs in Ontario's horse-racing sector, with as many as 7,000 new jobs created. The horse-racing sector constitutes the Province's third-largest agricultural industry.
- A portion of gross slot machine revenue, estimated at \$35 million, is also being provided to benefit the 18 municipalities that host charity casino and race track slot operations, including funding to help offset any additional local infrastructure and service costs.



## ■ SECTION III: SUPERBUILD INFRASTRUCTURE INVESTMENTS

SuperBuild is moving forward on its commitment to modernize and invest in new infrastructure for the Province's future. Over \$4.5 billion was invested by the Province in 1999-00—more than double the 1998-99 total of \$2.2 billion.

Investment exceeded the amount set out in the 1999 Budget by \$1.6 billion, primarily as a result of in-year investments in Ontario's hospitals, colleges and universities. An additional \$2.1 billion will be invested in 2000-01. See the Budget Paper entitled *"Building Strong and Safe Communities"* for more details.

<b>SuperBuild Capital Investment</b>		
(\$ Millions)		
	<b>1999-00</b>	<b>2000-01</b>
Highways	975	1,000
Health and Long-Term Care	1,344	291
Post-Secondary Education	1,028	40
Justice	189	232
Environment and Natural Resources	266	144
Sports, Culture, Tourism	16	81
Science and Technology	500	8
Small Town and Rural Infrastructure	—	80
SuperBuild Millennium Partnerships	—	200
Other	193	119
Year-End Savings	—	(120)
<b>Total</b>	<b>4,511</b>	<b>2,075</b>

Source: Ontario Ministry of Finance.

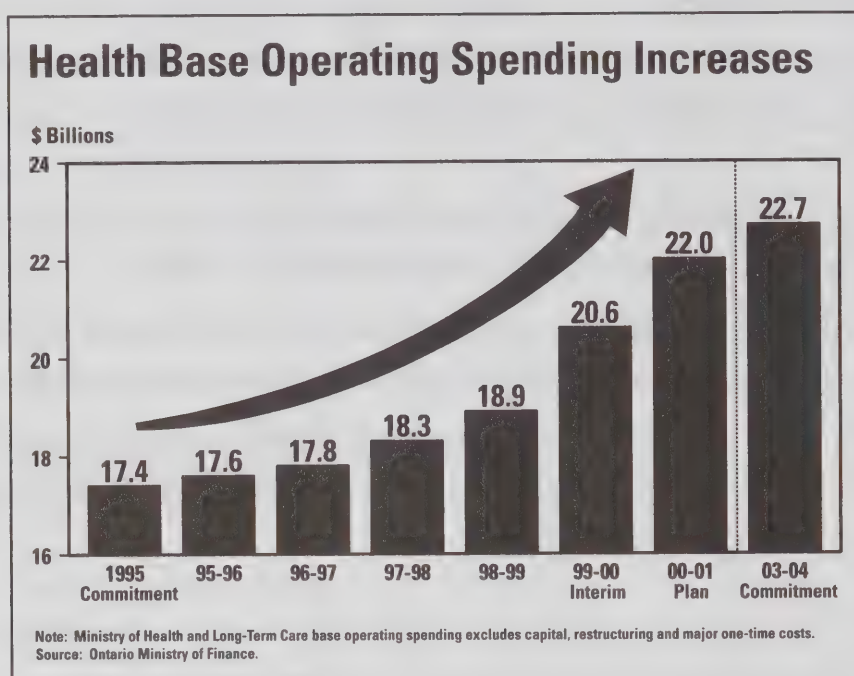
- In 2000-01, the Province will set a new record by investing \$1 billion in Provincial highways.
- Ontario's investment in health care facilities reached \$1.3 billion in 1999-00, primarily due to an in-year investment of \$1 billion to accelerate hospital restructuring. An additional \$291 million will be provided in 2000-01 to modernize and upgrade health care facilities.

- In 1999-00, Ontario provided over \$1 billion in capital funding for post-secondary institutions.
- In 2000-01, the Province will invest \$232 million in courts, correctional facilities and other justice facilities.
- In 2000-01, the Province will invest \$144 million in environmental and natural resources infrastructure.
- In 2000-01, the Province will invest \$81 million in sports, cultural and tourism facilities, including \$60 million for the SuperBuild Sports, Culture and Tourism Partnerships initiative.
- The Province invested an additional \$500 million in the Ontario Innovation Trust in 1999-00 for laboratories, high-technology equipment and other research infrastructure.
- The Province will contribute \$80 million in 2000-01 for the infrastructure component of the Ontario Small Town and Rural Development initiative.
- The SuperBuild Millennium Partnerships initiative will invest \$200 million in 2000-01 in strategic infrastructure through public-private partnerships.
- An additional \$119 million will be provided in 2000-01 to support a wide range of capital projects, including aboriginal economic development, community and social services and provincial schools.

## ■ SECTION IV: ONTARIO'S COMMITMENT TO HEALTH CARE

### Investing More Than Ever in Health Care

The Government has increased health base operating spending to the highest level of ongoing support in Ontario's history. From 1994-95 to 1999-00, health base operating spending increased by \$3 billion. It will be increased by a further \$1.4 billion in 2000-01, to reach \$22.0 billion.



- In 1999, the Government made a commitment to increase spending to \$22.7 billion by 2003-04. This target will be achieved by next year, a full two years ahead of the Government's promise.

## Increased Funding for Health Care

Between 1998-99 and 1999-00, total health care spending increased by \$2.0 billion and will increase by a further \$1.3 billion in 2000-01. In each of the past two years, Provincial spending increases have exceeded the Canada Health and Social Transfer (CHST) Supplement provided by the federal government. See the Budget Paper entitled *"Our Health Care Commitment"* for further details.

<b>Ministry of Health and Long-Term Care Spending</b>				
(\$ Millions)				
	<b>Actual 1994-95</b>	<b>Actual 1998-99*</b>	<b>Interim 1999-00**</b>	<b>Plan 2000-01</b>
Base Operating	17,599	18,868	20,600	21,988
Capital Expenditures	249	187	340	291
Total	17,848	19,055	20,940	22,279
Less: Local Services Realignment (LSR) Land Ambulance Reimbursements	0	(166)	(94)	(94)
<b>Total Base Excluding LSR Land Ambulance Reimbursements</b>	<b>17,848</b>	<b>18,889</b>	<b>20,846</b>	<b>22,185</b>
<b>Increase in Base Operating since 1994-95</b>			<b>3,001</b>	<b>4,389</b>
<b>Increase in Base Total since 1998-99</b>			<b>1,957</b>	<b>3,296</b>

\* 1998-99 excludes \$50 million in health care restructuring and \$639 million in major one-time operating costs including \$120 million start-up for Canadian Blood Services, \$200 million to compensate persons who contracted Hepatitis C through the blood system prior to 1986 or after 1990, \$229 million one-time assistance to hospitals and \$90 million in Ministry and Broader Public Sector Year 2000 computer system changes.

\*\* 1999-00 Interim excludes \$1,290 million in major one-time costs including one-time operating costs of \$175 million to hospitals for program and service restructuring, \$111 million for Ministry and Broader Public Sector Year 2000 computer system changes; and major one-time capital costs of \$1,004 million for HSRC capital grants.

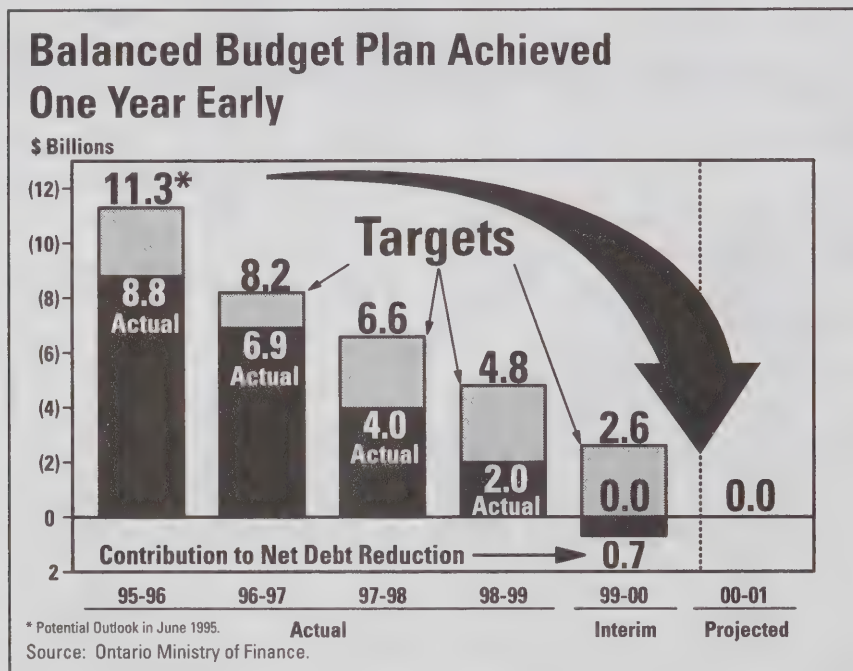
Source: Ontario Ministry of Finance.



## ■ SECTION V: ONTARIO'S RECENT FISCAL RECORD

### Balanced Budget Plan Achieved – One Year Early

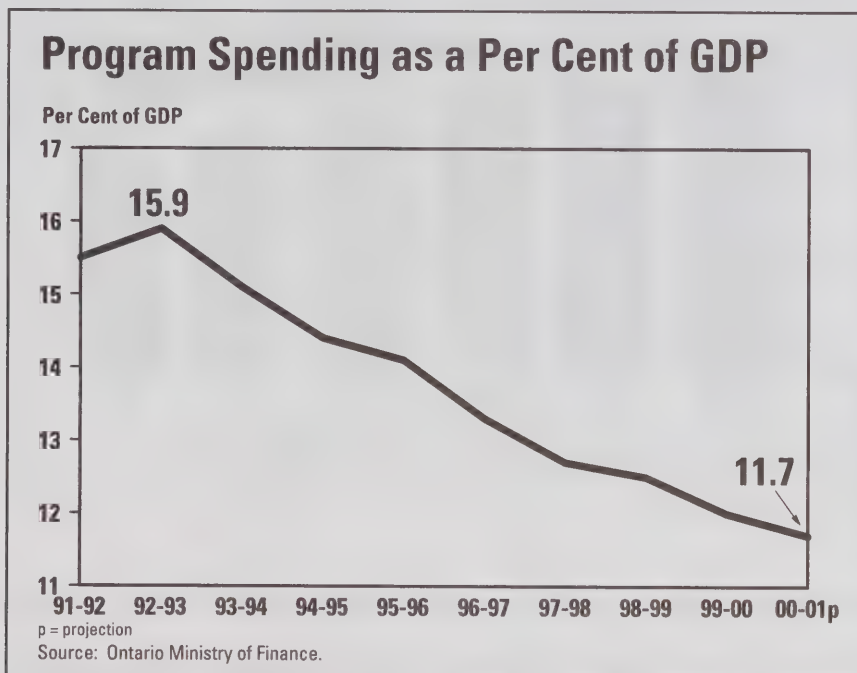
Upon assuming office in June 1995, the Government took immediate action to deal with a potential \$11.3 billion deficit. In November 1995 the Government set out its Balanced Budget Plan of steadily declining annual deficit targets, culminating in a balanced budget in 2000-01. In each of the past five years, the Balanced Budget Plan deficit target has been overachieved.



- 1999-00 marks the fifth consecutive year the deficit-reduction target was overachieved due to prudent, realistic planning.
  - With a balanced budget in 1999-00 and 2000-01, Ontario is on track to achieve back-to-back balanced budgets for the first time in more than half a century.

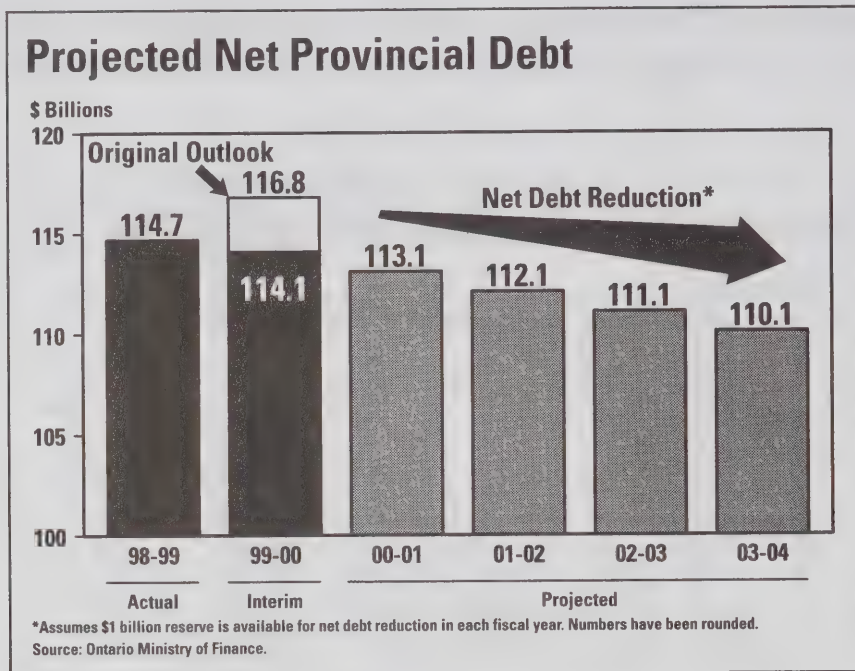
## Program Spending as a Share of the Economy

The Government's commitment to controlling spending is demonstrated by significant reductions in program spending as a per cent of Ontario Gross Domestic Product (GDP). A weak economy, and rapidly increasing spending pushed program expenditures as a per cent of GDP up to 15.9 per cent in 1992-93. By focusing on priorities such as restoring the economy and increasing health care and education classroom spending, while at the same time finding improvements in the efficiency of government services, program spending is projected to decline to 11.7 per cent of GDP in 2000-01.



## Commitment to Reduce Debt

Net Provincial Debt as of March 31, 2000 was \$114.1 billion, \$2.7 billion lower than it would have been under the 1999 Budget Plan. The Government's goal is to more than double the promised \$2 billion reduction in Net Provincial Debt to at least \$5 billion during this mandate.



- The \$654 million surplus in 1999-00 has been applied to reduce Net Provincial Debt.
- Ontario's 2000-01 fiscal plan includes a \$1 billion reserve designed to protect the balanced budget against unexpected and adverse changes in the economic and fiscal outlook. The reserve will be available for debt reduction if not needed.

## ■ CONCLUSION

After a decade of deficits, Ontario is on track for consecutive balanced budgets. The \$11.3 billion potential deficit the Government faced when it assumed office has now been completely eliminated.

Ontario has entered the new millennium with its fiscal position restored. The Government has not just achieved a balanced budget, but has put in place policies that will ensure that future budgets stay balanced.

Thanks to sound financial management, a revitalized economy and a legislated commitment to balanced budgets, the deficits of the past are behind us and will not be repeated. Ontario's economic future and sustainable funding for priority programs have been assured.







## **PAPER B**

### **Appendices**

Financial Tables and Graphs



**Statement of Financial Transactions**  
 (\$ Millions)

**Table B1**

	<b>Actual 1996-97</b>	<b>Actual 1997-98</b>	<b>Actual 1998-99</b>	<b>Interim 1999-00</b>	<b>Plan 2000-01</b>
<b>Revenue</b>	49,450	52,518	55,786	62,472	62,060
<b>Expenditure</b>					
Programs	42,831	43,637	46,502	47,581	49,525
Restructuring and Other Charges	2,180	1,595	76	226	—
Total Program Expenditure	45,011	45,232	46,578	47,807	49,525
Capital	2,737	2,523	2,194	4,511	2,075
Public Debt Interest					
Provincial	8,607	8,729	9,016	8,980	8,940
Ontario Hydro Successor Companies	-	-	-	520	520
Total Expenditure	56,355	56,484	57,788	61,818	61,060
Reserve	-	-	-	-	1,000
<b>Surplus / (Deficit)</b>	<b>(6,905)</b>	<b>(3,966)</b>	<b>(2,002)</b>	<b>654</b>	<b>0</b>

Source: Ontario Ministry of Finance.



Operating Expenditure (\$ Millions)					Table B2
Ministry	Actual 1996-97	Actual 1997-98	Actual 1998-99	Interim 1999-00	Plan 2000-01
Agriculture, Food and Rural Affairs	324	306	309	328	446
Farm Tax Rebate	150	158	-	-	-
Attorney General	638	681	751	803	882
Board of Internal Economy	124	113	117	155	121
Citizenship, Culture and Recreation	316	300	365	455	398
Community and Social Services	7,965	8,047	7,648	7,604	7,504
Consumer and Commercial Relations	123	92	136	135	146
Correctional Services	537	531	540	562	591
Economic Development and Trade	192	140	89	94	99
Education	4,257	4,713	7,717	7,823	8,026
School Board Transition – Restructuring / Phase-in Funding	-	224	-	268	-
Teachers' Pension Plan (TPP)	933	1,443	67	(363)	(711)
Energy, Science and Technology	11	69	83	128	241
Environment	146	142	162	174	158
Executive Offices	13	14	17	21	22
Finance - Own Account	435	690	999	739	787
Public Debt Interest					
Provincial	8,607	8,729	9,016	8,980	8,940
Ontario Hydro Successor Companies	-	-	-	520	520
Community Reinvestment Fund	-	169	678	521	537
Health and Long-Term Care	17,760	18,284	18,868	20,600	21,988
Health Care Restructuring	970	532	50	-	-
Major One-Time Health Care Costs	-	113	639	286	-
Intergovernmental Affairs	4	5	4	4	5
Labour	103	117	108	101	100
Management Board Secretariat	712	352	358	355	298
Public Service / OPSEU Pension Plan	94	(86)	(219)	(144)	(248)
Contingency Fund	-	-	-	-	1,165
OPS Employee Severance (Net)	438	(159)	-	77	-
Special Circumstances Fund	-	-	180	-	-
Municipal Affairs and Housing	2,456	2,395	1,611	1,725	1,644
Municipal Capital and Operating Restructuring Fund	150	23	-	-	-
Municipal Restructuring Fund	-	71	-	-	-
Native Affairs Secretariat	17	10	10	13	16
Natural Resources	417	405	542	458	376
Northern Development and Mines	52	62	82	114	274
Office of Francophone Affairs	2	2	3	4	4
Solicitor General	622	644	746	827	856
Tourism	53	54	69	70	76
Training, Colleges and Universities	3,568	2,988	3,215	3,252	3,387
Transportation	879	709	607	618	537
Restructuring	550	50	(17)	-	-
TTC Five Year Capital Transfer and Ottawa-Carleton Regional Transit Commission Transit Bus Subsidy Agreement	-	829	44	-	-
Year-End Savings	-	-	-	-	(200)
<b>Total Operating Expenditure</b>	<b>53,618</b>	<b>53,961</b>	<b>55,594</b>	<b>57,307</b>	<b>58,985</b>

Source: Ontario Ministry of Finance.

**Capital Expenditure**  
 (\$ Millions)

Table B3

Ministry	Actual 1996-97	Actual 1997-98	Actual 1998-99	Interim 1999-00	Plan 2000-01
Agriculture, Food and Rural Affairs	-	1	1	1	80
Attorney General	20	47	73	59	64
Citizenship, Culture and Recreation	9	7	6	15	71
Community and Social Services	116	51	38	20	20
Correctional Services	-	5	30	124	156
Economic Development and Trade	9	-	-	-	-
Education	146	267	229	54	5
Energy, Science and Technology	-	-	273	500	-
Environment	225	98	19	7	14
Water Protection Fund	-	-	15	160	51
Finance	18	7	3	12	3
SuperBuild Millennium Partnerships	-	-	-	-	200
Health and Long-Term Care	175	106	187	340	291
Major One-Time Capital Costs	-	-	-	1,004	-
Management Board Secretariat	152	80	39	18	12
Municipal Affairs and Housing	313	152	62	-	2
Native Affairs Secretariat	13	11	10	6	8
Natural Resources	33	209	62	97	83
Northern Development and Mines	168	173	177	211	273
Solicitor General	6	7	8	-	8
Tourism	2	3	1	3	11
Training, Colleges and Universities	53	113	69	1,028	44
Transportation	1,279	1,186	892	852	799
Year-End Savings	-	-	-	-	(120)
<b>Total Capital Expenditure</b>	<b>2,737</b>	<b>2,523</b>	<b>2,194</b>	<b>4,511</b>	<b>2,075</b>

Source: Ontario Ministry of Finance.

**Ten-Year Review of Selected Financial and Economic Statistics**

(\$ Millions)

	Modified Cash Basis		PSAB Basis
	1991-92	1992-93	1993-94
<b>Financial Transactions</b>			
Revenue	40,753	41,807	43,674
<i>Revenue Excluding Highway 407 Sale</i>	<i>40,753</i>	<i>41,807</i>	<i>43,674</i>
Expenditure			
Programs	43,613	45,350	44,195
Restructuring and Other Charges	-	-	-
Total Program Expenditure	43,613	45,350	44,195
Capital	3,874	3,592	3,552
Public Debt Interest			
Provincial	4,196	5,293	7,129
Ontario Hydro Successor Companies	-	-	-
Total Expenditure	51,683	54,235	54,876
Reserve	-	-	-
<b>Surplus / (Deficit)</b>	<b>(10,930)</b>	<b>(12,428)</b>	<b>(11,202)</b>
<b>Net Provincial Debt*</b>	<b>49,368</b>	<b>61,796</b>	<b>80,599</b>
Gross Domestic Product (GDP) at Market Prices	280,853	285,101	291,733
Personal Income	243,485	251,805	253,921
Population - July (000s)	10,428	10,570	10,690
Net Provincial Debt per Capita (dollars)	4,734	5,846	7,540
Personal Income per Capita (dollars)	23,349	23,823	23,753
Total Expenditure as a per cent of GDP	18.4	19.0	18.8
Public Debt Interest as a per cent of Revenue**	10.3	12.7	16.3
Net Provincial Debt as a per cent of GDP	17.6	21.7	27.6

\* Net Provincial Debt represents total Liabilities less Financial Assets.

\*\* Starting in 1999-00, Public Debt Interest includes \$520 million related to the Province's equity ownership of Ontario Hydro successor companies.

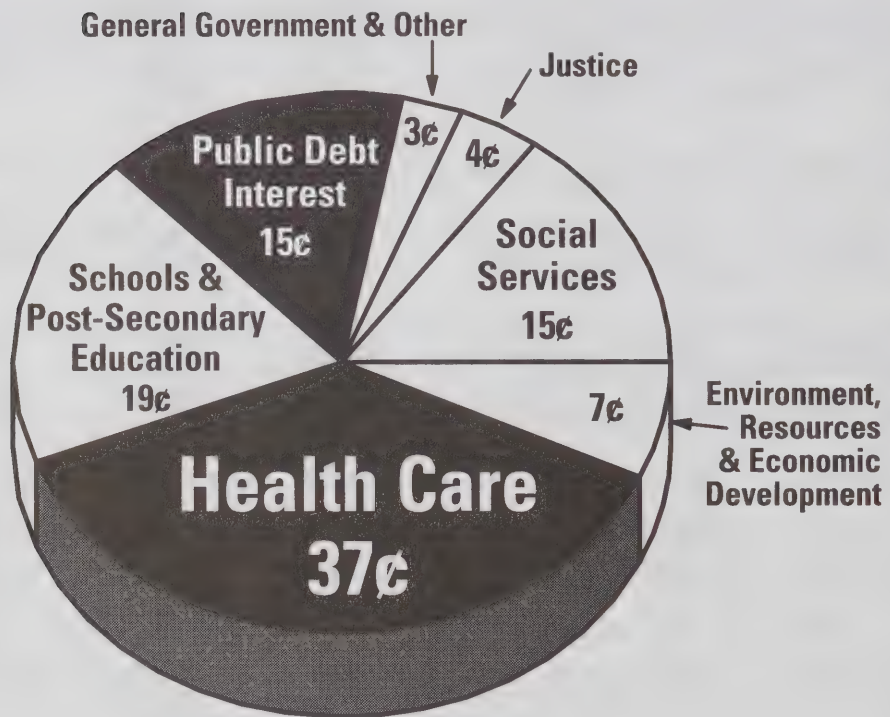
Source: Ontario Ministry of Finance. Population projection for 2000 is preliminary.

Table B4

PSAB Basis						
1994-95	1995-96	1996-97	1997-98	1998-99	Interim 1999-00	Plan 2000-01
46,039	49,473	49,450	52,518	55,786	62,472	62,060
46,039	49,473	49,450	52,518	55,786	60,892	62,060
44,505	45,309	42,831	43,637	46,502	47,581	49,525
-	854	2,180	1,595	76	226	-
44,505	46,163	45,011	45,232	46,578	47,807	49,525
3,831	3,635	2,737	2,523	2,194	4,511	2,075
7,832	8,475	8,607	8,729	9,016	8,980	8,940
-	-	-	-	-	520	520
56,168	58,273	56,355	56,484	57,788	61,818	61,060
-	-	-	-	-	-	1,000
(10,129)	(8,800)	(6,905)	(3,966)	(2,002)	654	0
90,728	101,864	108,769	112,735	114,737	114,083	114,083
309,031	327,246	337,833	356,578	371,874	398,286	424,359
258,304	268,926	273,577	285,858	299,458	312,960	330,678
10,828	10,965	11,101	11,249	11,384	11,514	11,665
8,379	9,290	9,798	10,022	10,079	9,908	9,780
23,855	24,526	24,644	25,412	26,305	27,181	28,348
18.2	17.8	16.7	15.8	15.5	15.5	14.4
17.0	17.1	17.4	16.6	16.2	15.2	15.2
29.4	31.1	32.2	31.6	30.9	28.6	26.9



# The Budget Dollar: Total Expenditure 2000-01

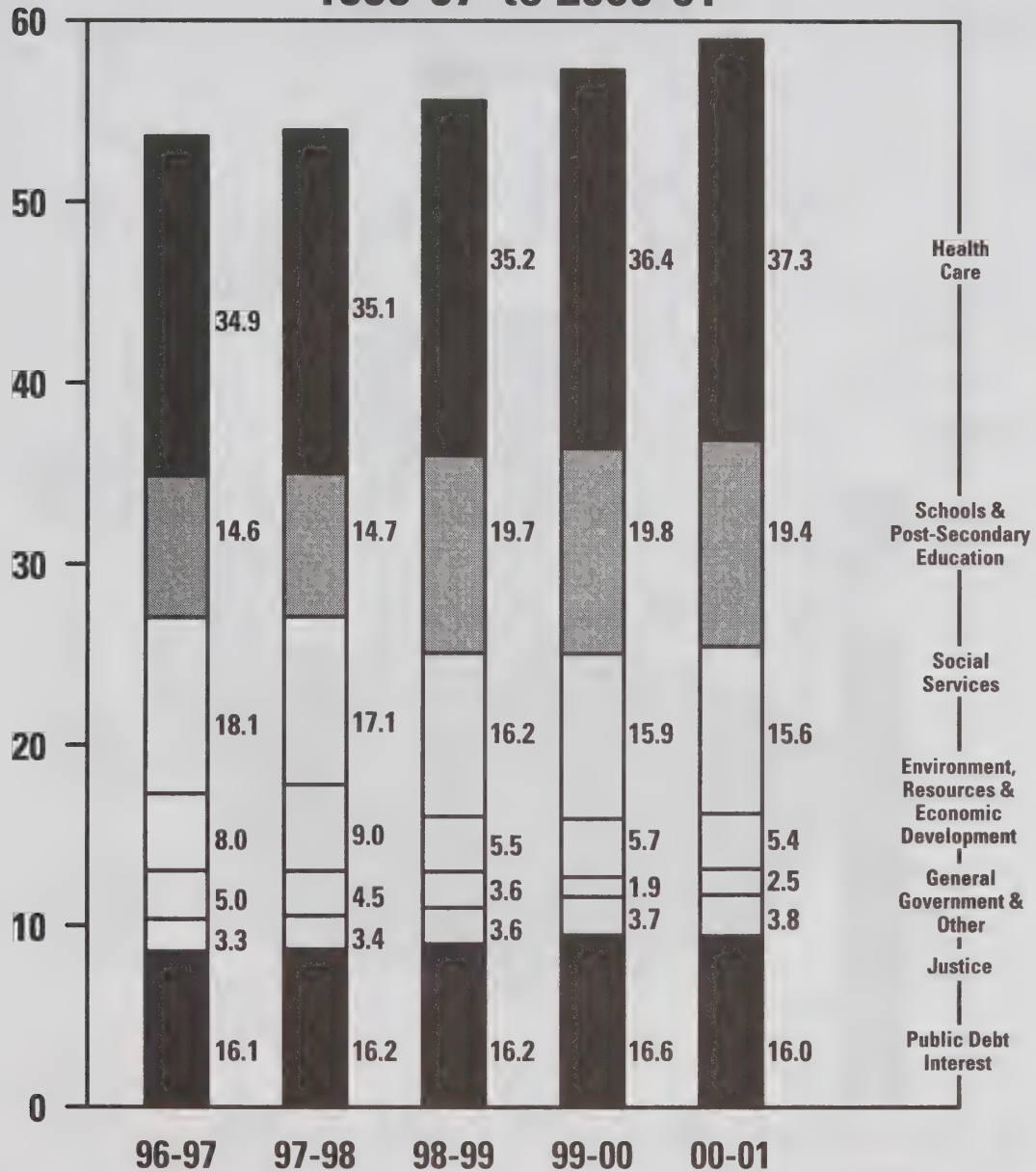


Source: Ontario Ministry of Finance.

# Operating Expenditure by Category Per Cent of Total

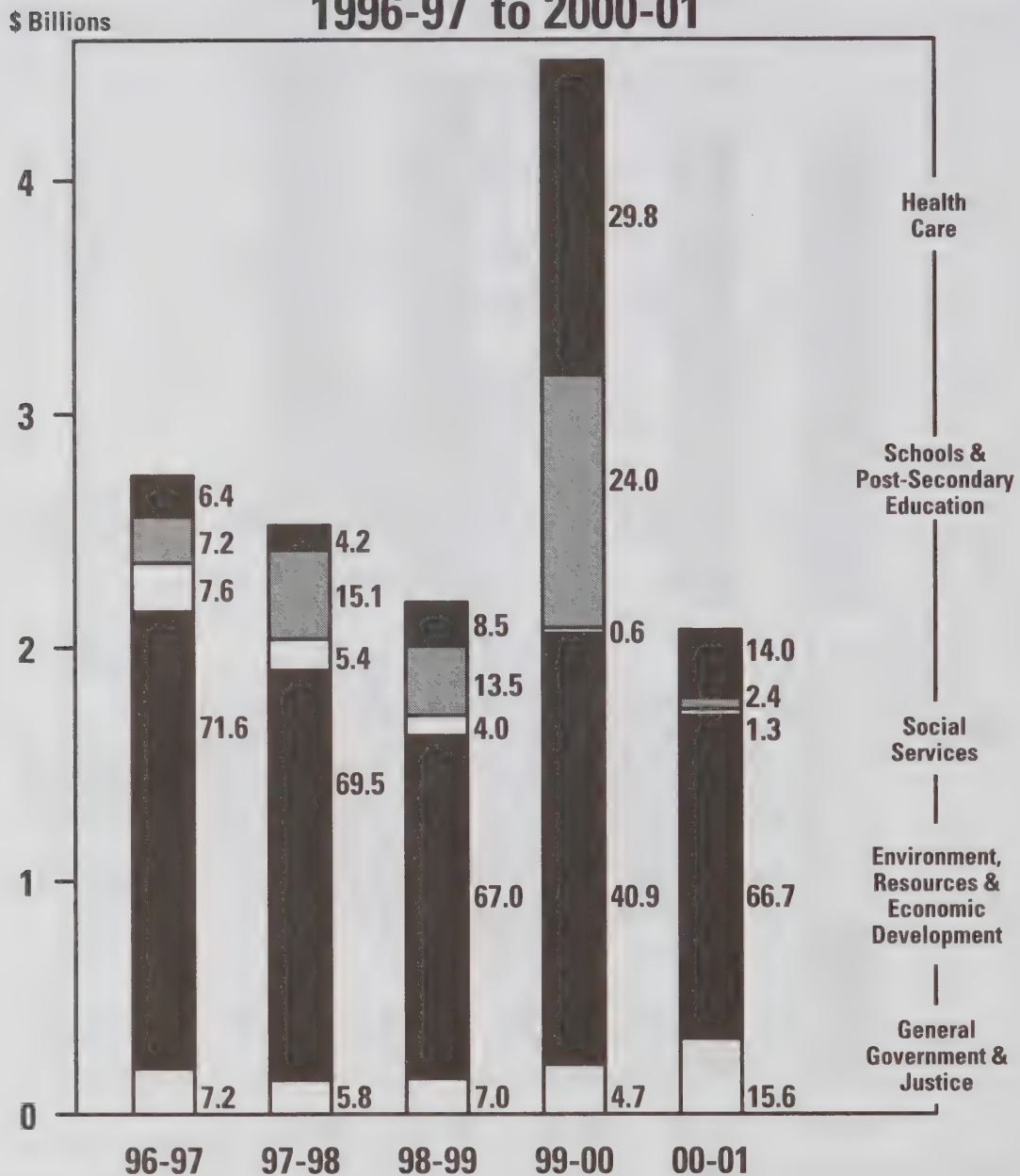
\$ Billions

1996-97 to 2000-01



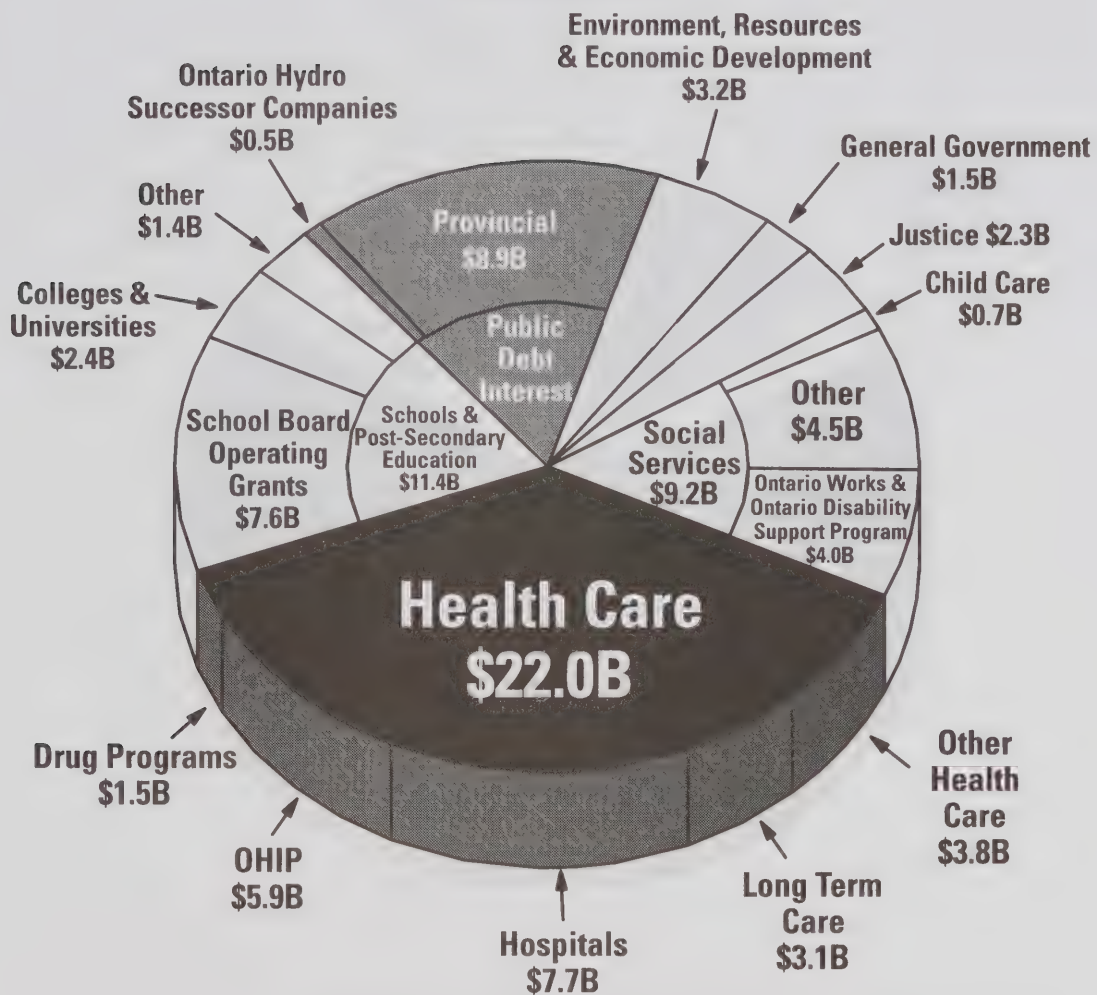
Source: Ontario Ministry of Finance.

# **Capital Expenditure by Category** **Per Cent of Total** **1996-97 to 2000-01**



Source: Ontario Ministry of Finance.

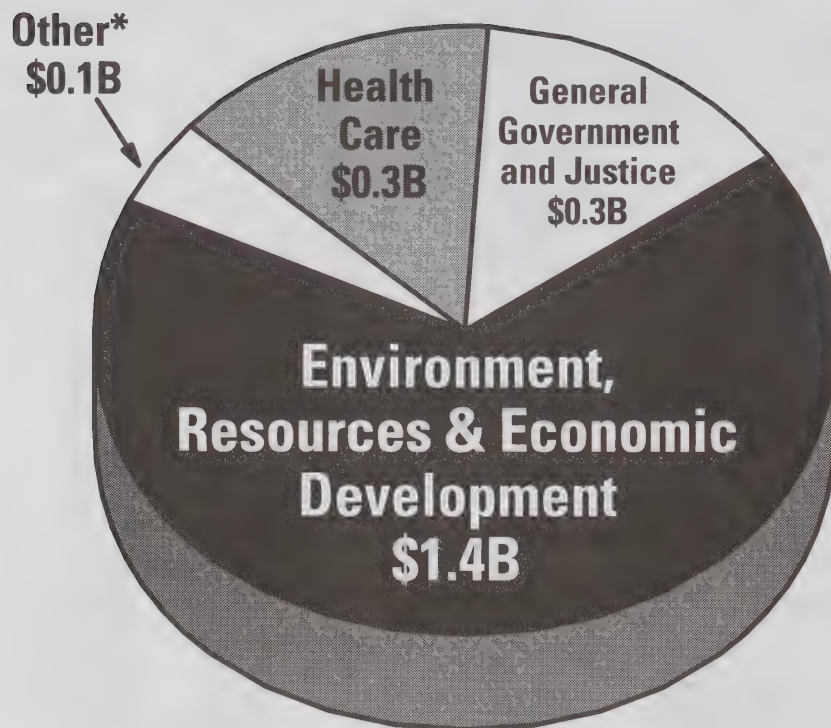
# 2000-01 Operating Expenditure by Category (\$ Billions)



Source: Ontario Ministry of Finance.



## 2000-01 Capital Expenditure by Category (\$ Billions)



\* Includes Schools and Post-Secondary Education and Social Services.

Source: Ontario Ministry of Finance.



## **BUDGET PAPER C**

**Made-for-Ontario Taxes:  
"A New Beginning"**





## ■ ONTARIO'S COMMITMENT

Ontario is cutting personal taxes and supporting the growth of the economy. By 1999, the Ontario personal income tax rate had been cut by 30 per cent. Last year, another 5 per cent was cut as the first step of a 20 per cent tax cut promise. The next step of this new commitment is delivered in this Budget, including the Government's commitments: to index the provincial tax system for inflation; to develop maximum flexibility to meet Ontario's policy needs; and, to achieve these goals without creating onerous paperwork or unnecessary costs.

With this Budget, Ontarians would have a personal income tax system that meets those commitments.



## ■ A MADE-FOR-ONTARIO TAX SYSTEM

### The Old Approach to Calculating Ontario Tax

Until this year, Ontario personal income tax was calculated as a percentage of basic federal tax. On January 1, 2000, the Ontario rate was 38.5 per cent of basic federal tax—down from 58 per cent in 1995.

Because Ontario's tax rate was a percentage of basic federal tax, the calculation of Ontario tax implicitly reflected: the federal definition of taxable income; federal tax rates; the income ranges to which the taxes are applied (the tax brackets); and federal deductions and credits against tax.

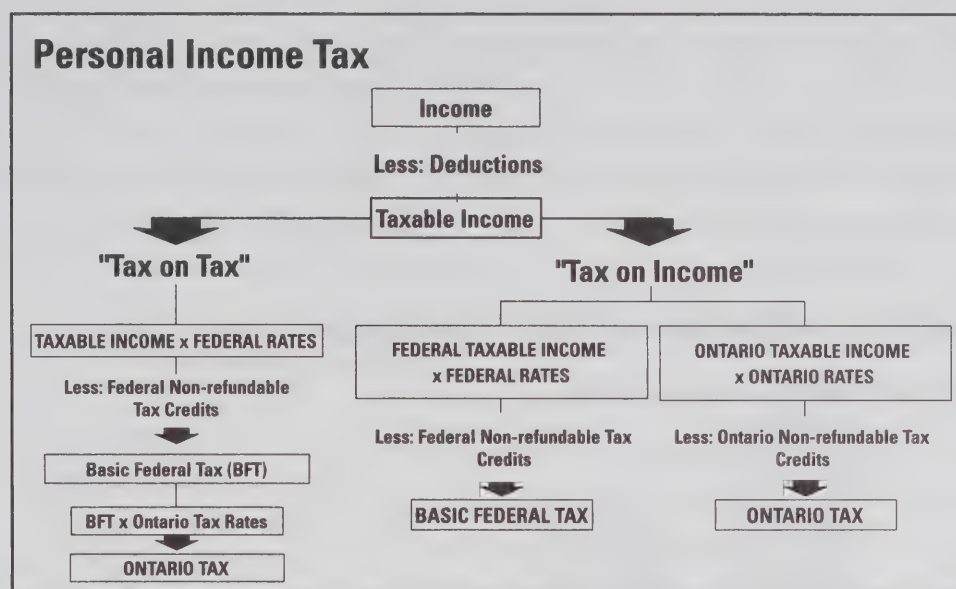
Taxpayers would add up their income from a variety of sources, then claim deductions such as child care costs, RRSP contributions and other allowable expenses, to arrive at "taxable income." They would then use the federal tax rates and brackets to determine the amount of gross federal tax.

From this gross federal tax, certain non-refundable tax credits would be deducted. These credits are intended to reflect taxpayers' personal circumstances that might be expected to affect their ability to pay tax—for example, whether there is a dependent spouse, a family member attending university or college, a family member with disabilities or a substantial medical expense. With these credits taken into account, taxpayers would know their "basic federal tax."

Ontario personal income tax would then be calculated by applying the Ontario tax rate to their basic federal tax. As a result, Ontario income tax acquired all of the most important design characteristics of federal tax. When the federal government decided not to index tax brackets to inflation, Ontario's income tax automatically followed along. When Ontario wanted to cut tax more for people with lower incomes, a complex tax-reduction program was required.

The Government of Ontario found that state of affairs to be unacceptable. As a result, Ontario has moved to implement a tax-on-income system. With this Made-for-Ontario system, Ontario would no longer be locked in to the federal tax calculation. Ontario income tax would now be calculated on taxable income and not on basic federal tax.

## The Made-for-Ontario Approach



## New Tax Brackets and Tax Rates

With a Made-for-Ontario approach, Ontario would decide how much tax is to be applied at a given level of income. Ontario would no longer be required to match federal brackets. In this Budget, it is proposed that Ontario's new personal income tax brackets and rates be:

<b>Tax Brackets (Ontario Taxable Income \$)*</b>	<b>Pre-2000 Budget Ontario Tax Rates (Per Cent)</b>	<b>2000 Ontario Tax Rates (Per Cent)</b>
Less than \$30,004	6.545	6.37
\$30,004 to \$60,009	10.010	9.62
More than \$60,009	11.165	11.16

\* Tax brackets would be indexed to inflation for 2001 and subsequent years.

## Recognizing Individual and Family Circumstances

Made-for-Ontario also means that Ontario would decide how much Ontario income tax will be reduced to recognize individual and family circumstances. For the 2000 taxation year, it is proposed that Ontario set values for the basic personal credit, the age and disability credits and the spousal credit, among others, that will increase the benefits for taxpayers compared to last year.

## The Benefits of a Made-for-Ontario Tax System

### Preserving the Benefits of Tax Cuts

Ontario's tax system is specifically protected against future rate increases by the *Taxpayer Protection Act*. This Act ensures that present and future governments will not be permitted to increase tax levels without first asking permission

from the people of Ontario in a referendum. Voter approval will be required prior to introducing a bill that imposes any new tax or increases the rate of existing taxes, unless other revenues are being reduced by at least as much.

- ✓ Rate increases prohibited under the *Taxpayer Protection Act*
- ✓ Full inflation protection
- ✓ Disengaged from the federal system

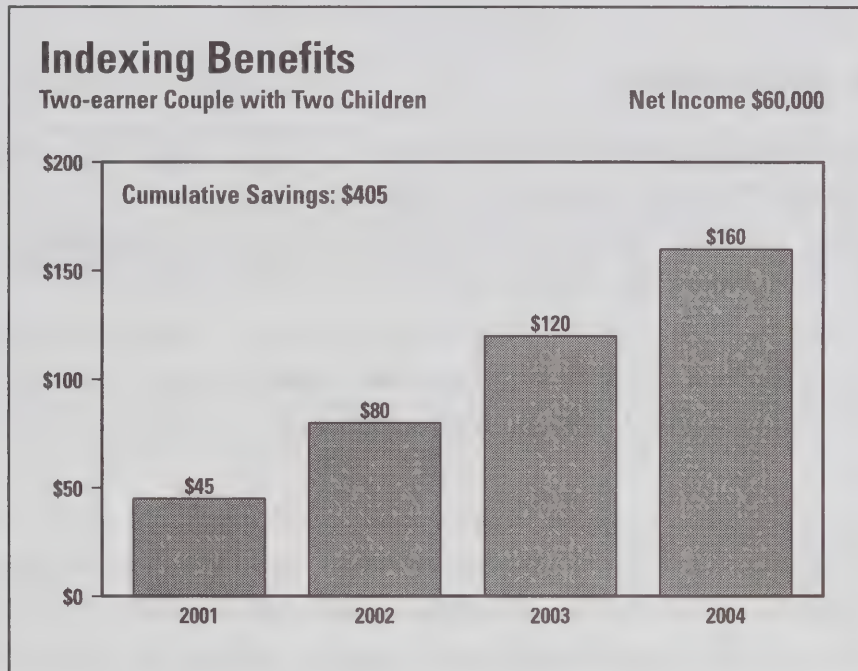
This Budget adds to that fundamental protection by proposing that Ontario's new tax system be fully indexed to inflation, starting in the 2001 taxation year. Prior to 1986, the personal income tax system was fully indexed for inflation. However, beginning in 1986, the federal government indexed the tax system only to the extent that inflation exceeded three per cent. From 1992-99, tax brackets and credits were not adjusted because the annual inflation rate did not exceed three per cent in any year. Yet, the consumer price index rose by over 10 per cent over that period.

The result has been an increased personal income tax burden for people. If a taxpayer's income keeps up with inflation, the person may be pushed into a higher tax bracket even though, in real terms, this individual's income remained unchanged. This is referred to as "bracket creep" and is not transparent to taxpayers. The 1997 Ontario Budget alluded to this "hidden" aspect of taxation, noting that: "Ontario needs to be able to ensure that hidden tax increases are not built into the tax system and that taxes, once down, stay down."





This Budget proposes to put an end to bracket creep. Over the next four years alone, a two-earner family of four, with total income of \$60,000 growing at the rate of inflation, would save a total of \$405 in Ontario personal income tax, as a result of Ontario's decision to index fully for inflation.



## More Flexibility to Design Job-Creating Tax Breaks

The new Made-for-Ontario approach allows the Government to deliver initiatives that would not have been possible under the old system.

- ✓ Capital gains inclusion rate cut to one-half
- ✓ Ontario Research Employee Stock Option Deduction

The 2000 Budget proposes to reduce the capital gains inclusion rate to one-half of the gain. As a result of this new approach, 735,000 risk-taking and entrepreneurial Ontarians, from all income levels, would benefit from Ontario's reduced tax on capital gains and related income items. Beginning in the 2001 taxation year, only 62 per cent of capital gains would be subject to Ontario income tax. By 2004, only 50 per cent of capital gains would be included in Ontario taxable income. That compares with two-thirds for federal purposes.



As well, Ontario is now able to help research and development-intensive companies to hire and retain skilled research employees by providing tax relief through the personal income tax system. The proposed Ontario Research Employee Stock Option Deduction would help Ontario's research and development-intensive companies to provide competitive compensation packages to their employees.

## Harmonized Administration

Taxes are complicated enough without adding a second administrative structure to the equation. Taxpayers expect their governments to seek out the lowest-cost, most efficient

methods for administering taxes. The Government of Ontario has long taken the position that the Canada Customs and Revenue Agency should be able to administer provincial personal income taxes, even when they differ from those imposed at the federal level.

- ✓ Harmonized tax administration continues
- ✓ New measures designed more simply

In the past, Ontario and other provinces have had to design cumbersome and sometimes complex tax credit plans to achieve certain policy objectives. One of the key advantages of the new Made-for-Ontario system would be the straightforward approach that can be taken to put Provincial initiatives in place.

Ontario enters into this new tax-on-income system with the expectation of full policy flexibility. The measures proposed in this Budget have no meaningful administrative impediments to their implementation. There should be no reason that the Canada Customs and Revenue Agency could not administer these measures as proposed. However, Ontario is prepared to administer its own tax policy initiatives if the federal government fails to cooperate for the benefit of all taxpayers.

## Accountability and Clarity

Governments that are serious about being accountable ensure that their citizens are provided with ready access to relevant information. In particular, Ontario taxpayers should have an easily understood tax calculation.



Moving to a Made-for-Ontario personal income tax system would provide taxpayers with a clearer, more accountable system. Ontario's tax rates would be shown as percentages of taxable income, instead of a percentage of federal tax. As a result, Ontario taxpayers would be able to compare Ontario's rates easily with the federal government's rates.

## Ontario's Tax Cut Continues

### Lowering Rates of Tax

Since 1996, personal income tax rates have been cut significantly for Ontarians in all three tax brackets. This Budget proposes to continue cutting tax rates this year and next.

The following table converts the old tax-on-tax rate into the tax-on-income rates that Ontario would have levied if the federal government had allowed it.

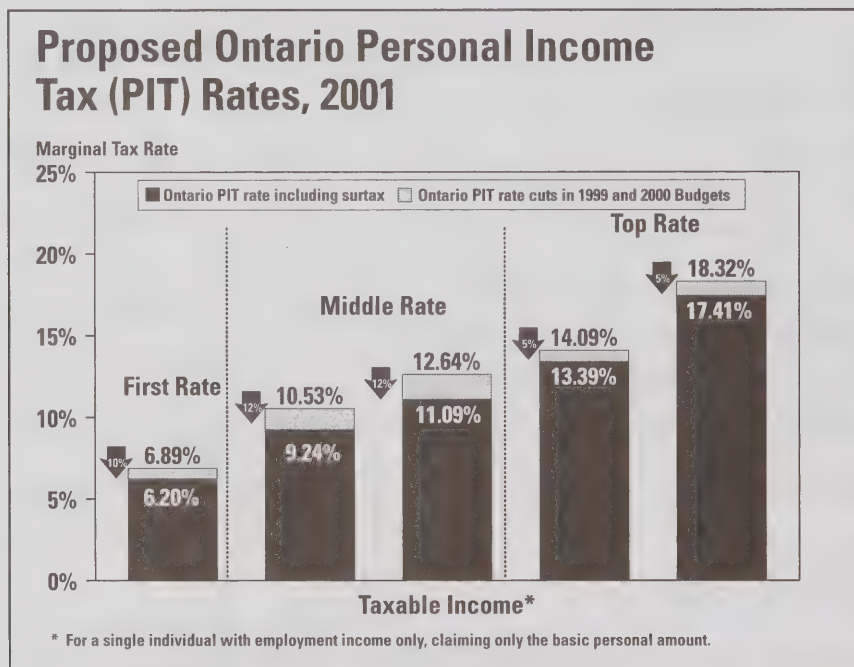
Taxable income brackets	Pre-2000 Tax Environment		
	\$29,590	\$59,180	
Federal tax rates	17%	26%	29%
Ontario tax rates before Ontario 1996 Budget (equivalent to Ontario "tax on tax" rate of 58%)	9.86%	15.08%	16.82%
Ontario tax rates before Ontario 1999 Budget (equivalent to Ontario "tax on tax" rate of 40.5%)	6.885%	10.53%	11.745%
Ontario tax rates after Ontario 1999 Budget (equivalent to Ontario "tax on tax" rate of 38.5%)	6.545%	10.01%	11.165%
Taxable income brackets	2000 Tax Year		
	\$30,004	\$60,009	
Federal tax rates	17%	25%	29%
Ontario tax rates for 2000	6.37%	9.62%	11.16%
Taxable income brackets	2001 Tax Year		
Ontario tax rates for 2001 (tax brackets to be adjusted for inflation)	6.20%	9.24%	11.16%

## Impact of Ontario's Surtax

In addition to three rates of Ontario personal income tax, Ontario levies a two-tiered surtax, which is calculated as a percentage of basic Ontario tax in excess of specified amounts. Because it is based on tax, not income, there is no single level of taxable income at which it becomes payable for all taxpayers.

Layering two tiers of surtax onto Ontario's three-rate tax system has the effect of creating two more marginal rates of Ontario personal income tax, on top of the "basic" rates. There may be some individuals with taxable income in the middle bracket who must also pay the first tier of surtax. Similarly, individuals who pay tax at the top Ontario rate may pay only the first tier of surtax, or both.

A Made-for-Ontario tax system fully implemented in 2001 would promote clarity and accountability by making the provincial tax brackets explicit.





## Providing Benefits to All Ontario Taxpayers

In the 1996 Budget, the first round of Ontario's personal income tax cuts began. On January 1, 1996, Ontario's income tax rate was 58 per cent of basic federal tax. In 1998, the Government of Ontario's commitment to a 30 per cent tax cut was fulfilled.

- ✓ Bracket thresholds increased
- ✓ First rate cut
- ✓ Middle rate cut

By July 1, 1998, Ontario's personal income tax rate was 40.5 per cent of basic federal tax.

Ontario's 30 per cent personal income tax cut, together with enrichments to the Ontario Tax Reduction program and Ontario's increases in personal exemptions in 1999, delivered an average 37.7 per cent reduction in Ontario taxes. All taxpayers benefited from these tax cuts, with individuals with lower incomes benefiting proportionately more.

In the 1999 Budget, this Government committed itself to a further reduction of Ontario's personal income tax. Beginning with the 1999 Budget, Ontario's personal income tax rate was cut from 40.5 per cent to 38.5 per cent of basic federal tax, a five per cent cut for all Ontario taxpayers.

This year, further tax cuts are proposed. In addition to lower rates, the 2000 Budget proposes to fully index the personal income tax system and reduce the inclusion rate of capital gains. This year's and last year's cuts together would produce an average Personal Income Tax saving of 23.5 per cent, when fully implemented. Once again, individuals with the lowest income would realize the highest proportionate savings.



## The Benefits of Ontario's Personal Income Tax Cuts

### Estimated Average Ontario Personal Income Tax (PIT) Savings, By Income Group

Income Group <sup>1</sup> (Dollars)	Ontario's Original PIT Cuts <sup>2</sup>	Additional Ontario PIT Cuts <sup>3</sup>	Combined Savings From Original and Additional Ontario PIT Cuts <sup>4</sup>
Less than 15,695	66.6%	59.8%	82.2%
15,695 - 20,525	45.0%	32.7%	59.8%
20,525 - 25,280	39.6%	22.9%	51.5%
25,280 - 30,130	37.7%	20.7%	49.0%
30,130 - 35,420	35.4%	21.4%	48.1%
35,420 - 41,165	33.4%	19.9%	46.1%
41,165 - 48,425	32.3%	18.1%	44.3%
48,425 - 58,635	31.7%	16.3%	42.8%
58,635 - 74,775	30.8%	17.2%	42.7%
74,775 - 77,715	28.7%	18.6%	41.9%
77,715 - 80,960	27.9%	18.4%	41.1%
80,960 - 84,735	27.3%	17.8%	40.2%
84,735 - 89,775	26.5%	17.2%	39.0%
89,775 - 95,475	26.2%	16.7%	38.3%
95,475 - 104,050	25.0%	16.2%	36.9%
104,050 - 118,500	24.0%	15.4%	35.5%
118,500 - 146,500	22.4%	14.2%	33.3%
146,500 - 219,250	20.7%	12.4%	30.3%
219,250 - 330,000	18.9%	11.0%	27.7%
330,000 and up	17.6%	11.1%	26.7%
Total	37.7%	23.5%	50.3%

1. The income groups divide Ontario taxpayers (before Ontario's original personal income tax cuts) into: nine deciles, each consisting of 555,000 taxpayers, with incomes up to \$74,775; nine percentiles, each containing 55,000 taxpayers, with incomes between \$74,775 and \$219,250; and two half-percentiles, consisting of 27,500 taxpayers each, with incomes over \$219,250.
2. Includes Ontario's 30 per cent PIT rate cut and 1999 increases to personal exemptions.
3. Includes Ontario's 1999 and 2000 rate cuts, indexation at estimated 2003 parameters and reduction of the capital gains inclusion rate to one-half. Savings have been calculated in comparison to the tax system in place after Ontario's original PIT cuts.
4. Savings have been calculated in comparison to the tax system in place before Ontario's original PIT cuts.



## Real Savings for People

Taken together, the tax cuts implemented by this Government since 1996 and those proposed in this Budget would deliver an average 50.3 per cent savings for Ontario's taxpayers.

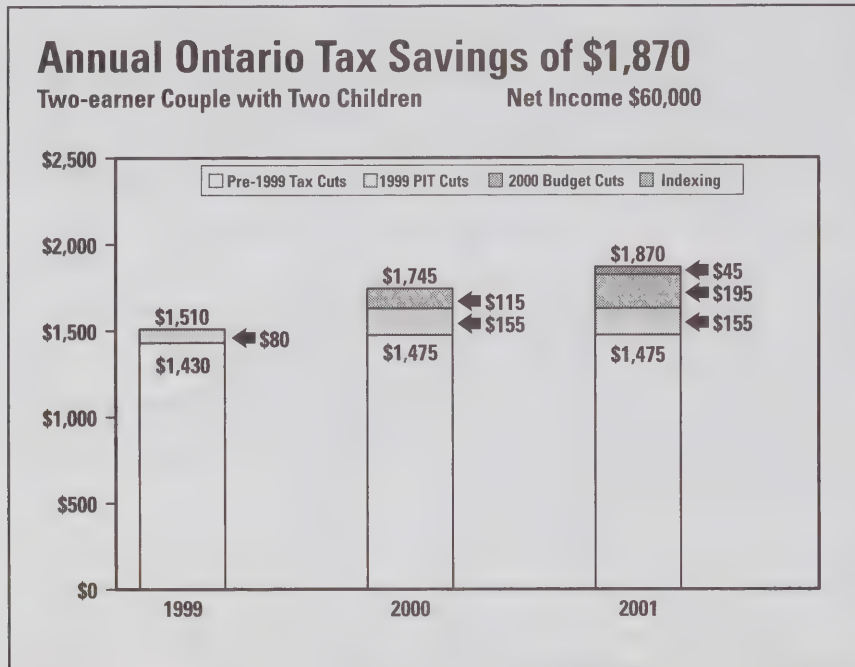
A couple with two children, and net income of \$40,000 from one earner, would pay \$1,325 less Ontario income tax next year, a saving of over 42 per cent from what would have been payable before the Ontario Government started cutting taxes. Federal tax cuts will deliver only \$770—about 14 per cent—in federal personal income tax savings next year.

A couple with two children, and net income of \$60,000 from two earners, would save \$1,870 in Ontario personal income tax, or more than 40 per cent, next year. By contrast, this family will save \$750—only nine per cent—in federal personal income tax savings next year. Ontario's tax cut would be more than twice the amount and four times the percentage of federal tax savings.

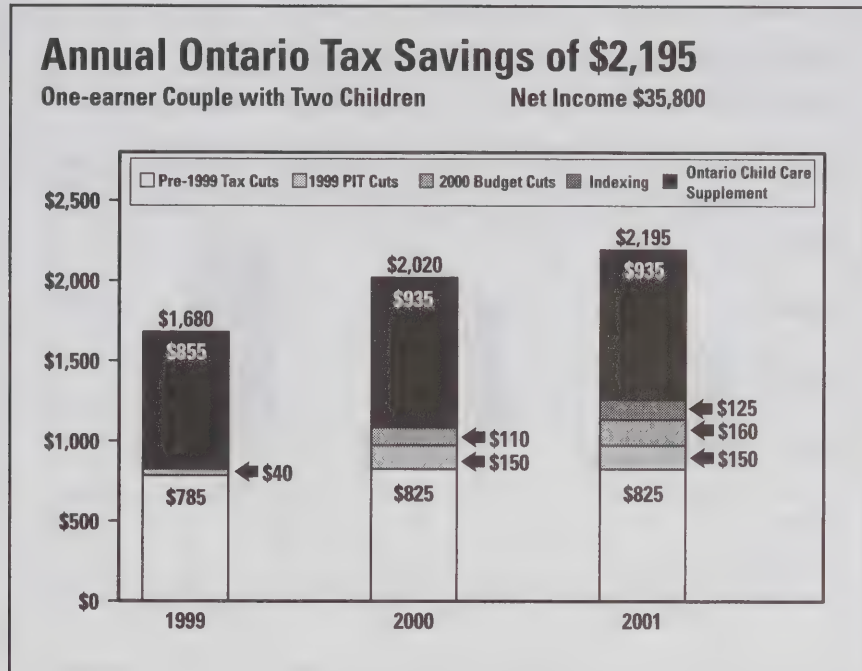
A single individual earning \$80,000 would save \$3,760—about 34 per cent—in Ontario personal income tax next year. Federal personal income tax savings will amount to \$1,710 next year, a tax cut of about nine per cent.

## Examples: Combined Impact of Ontario's Tax Cuts

The following examples illustrate the combined impact of these proposed tax measures together with the tax cuts already in place—on individuals and families for a variety of incomes and circumstances.

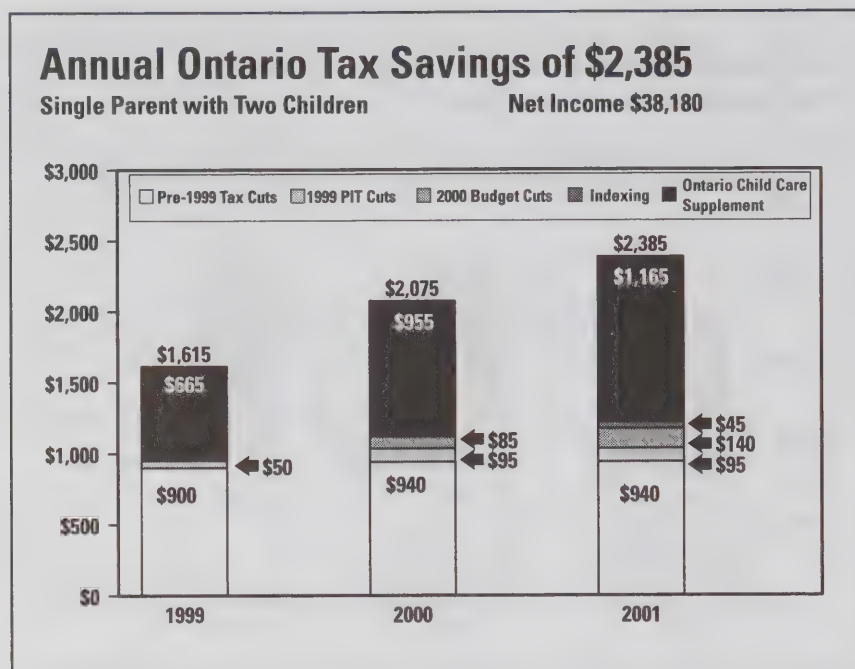


- One parent earns \$35,000 a year as a computer operator. The other parent is an office worker, making \$25,000 a year. No child care costs are incurred for their two school-aged children (ages 12 and 15).
- Ontario's original income tax cuts and the 1999 personal income tax cut will result in savings of \$1,630 in 2001.
- This family would realize additional savings from Ontario's 2000 Budget cuts of \$195 and indexing benefits of \$45, bringing the total savings to \$1,870.
- In addition, this family would receive another \$400 from the 1999 Taxpayer Dividend.
- The first step of Ontario's residential education tax cut provides an additional tax saving of \$90 on this family's three-bedroom home in Mississauga, assessed at \$196,000.

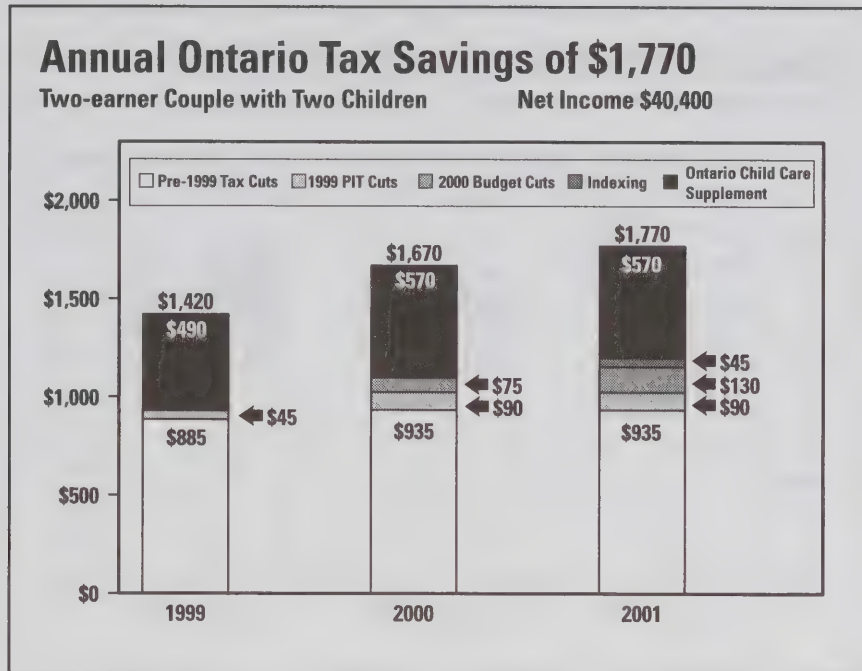


- One parent earns \$38,300 a year as a bus driver, pays \$500 a year in union dues and contributes \$2,000 to a company pension. The other parent stays home to care for their two young children (ages one and three).
- Ontario's original income tax cuts and the 1999 personal income tax cut will result in savings of \$975 in 2001. When combined with the child care supplement, this family will save a total of \$1,910.
- This family would realize additional savings from Ontario's 2000 Budget cuts of \$160 and indexing benefits of \$125, bringing the total savings to \$2,195.
- In addition, this family would receive another \$200 from the 1999 Taxpayer Dividend.
- The first step of Ontario's residential education tax cut provides an additional tax saving of \$55 on this family's three-bedroom home in Thunder Bay, assessed at \$120,000.

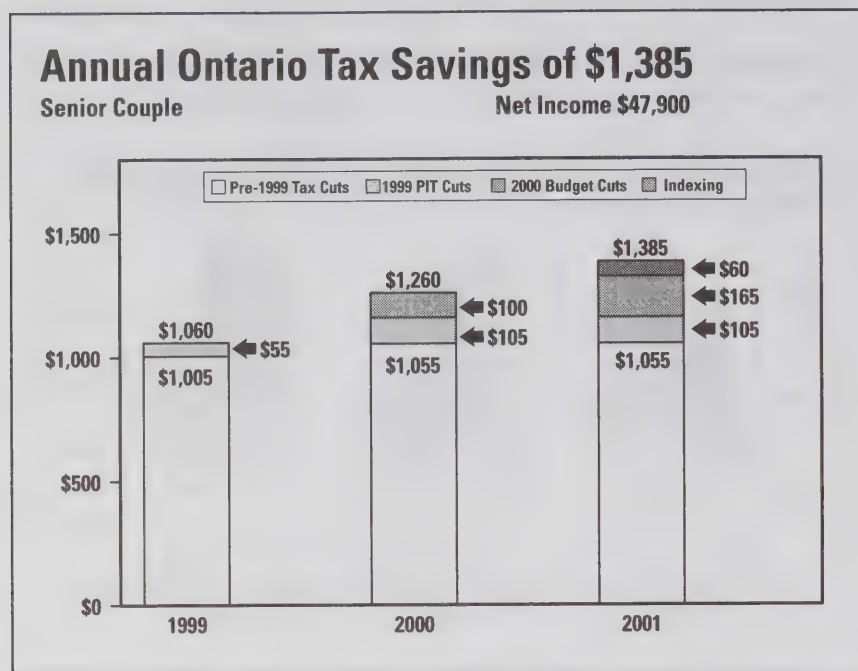




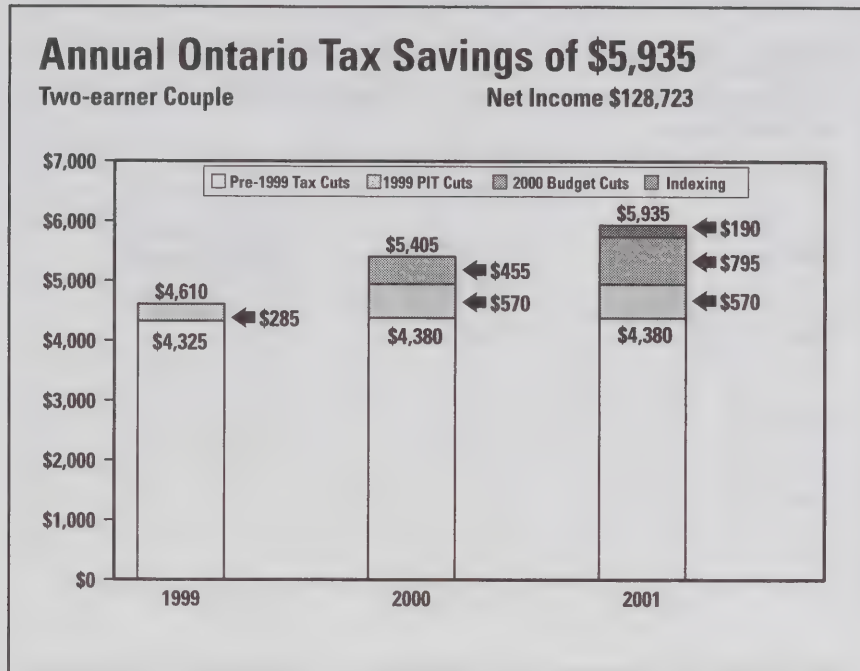
- A single parent with two children (ages three and five) earns \$50,800 a year as a registered nurse, pays \$590 a year in union and professional dues and contributes \$2,030 to a company pension. Day care for the children costs \$10,000 a year.
- Ontario's original income tax cuts and the 1999 personal income tax cut will result in savings of \$1,035 in 2001. When combined with the existing child care supplement, this family will save a total of \$1,780.
- This family would realize additional savings from Ontario's 2000 Budget cuts of \$140, indexing benefits of \$45 and enrichment to the child care supplement of \$420, bringing the total savings to \$2,385.
- In addition, this family would receive another \$200 from the 1999 Taxpayer Dividend.
- The first step of Ontario's residential education tax cut provides an additional tax saving of \$50 on this family's three-bedroom home in Peterborough, assessed at \$109,000.



- One parent earns \$36,400 a year as a machine operator, pays \$600 in union dues and contributes \$1,400 a year to a company pension. The other parent, while caring for their two young children (ages one and four), earns \$6,000 a year from a home-based business.
- Ontario's original income tax cuts and the 1999 personal income tax cut will result in savings of \$1,025 in 2001. When combined with the child care supplement, this family will save a total of \$1,595.
- This family would realize additional savings from Ontario's 2000 Budget cuts of \$130 and indexing benefits of \$45, bringing the total savings to \$1,770.
- In addition, this family would receive another \$200 from the 1999 Taxpayer Dividend.
- The first step of Ontario's residential education tax cut provides an additional tax saving of \$60 on this family's two-bedroom home in Oshawa, assessed at \$130,000.

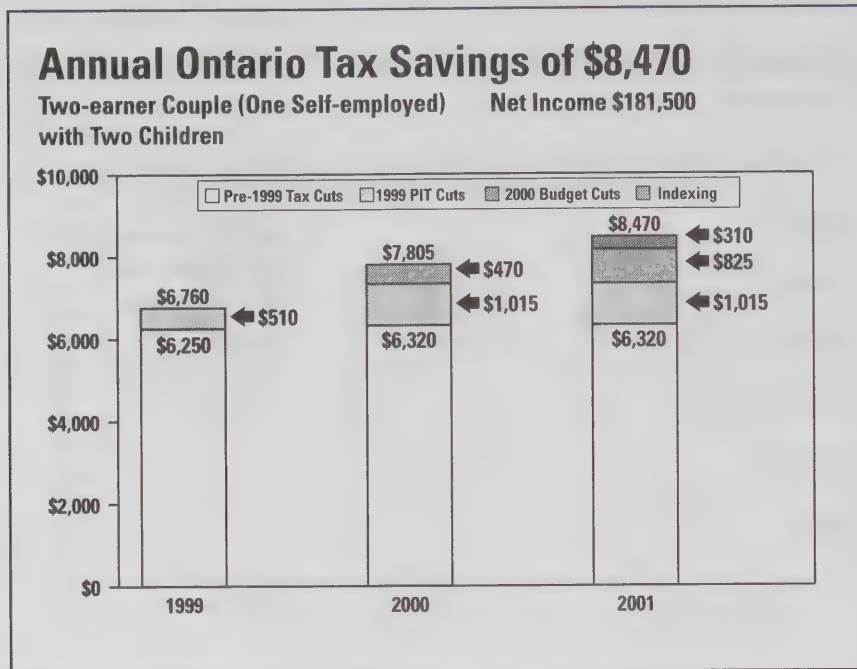


- Both individuals are retired. They each receive \$5,050 in Old Age Security and \$2,400 in Canada Pension. One individual has a company pension of \$29,000 a year. The other individual receives annual annuity payments of \$1,000. They each report interest income of \$1,500.
- Ontario's original income tax cuts and the 1999 personal income tax cut will result in savings of \$1,160 in 2001.
- This couple would realize additional savings from Ontario's 2000 Budget cuts of \$165 and indexing benefits of \$60, bringing the total savings to \$1,385.
- In addition, this couple would receive another \$200 from the 1999 Taxpayer Dividend.
- The first step of Ontario's residential education tax cut provides an additional tax saving of \$45 on this couple's two-bedroom home in Sudbury, assessed at \$98,000.

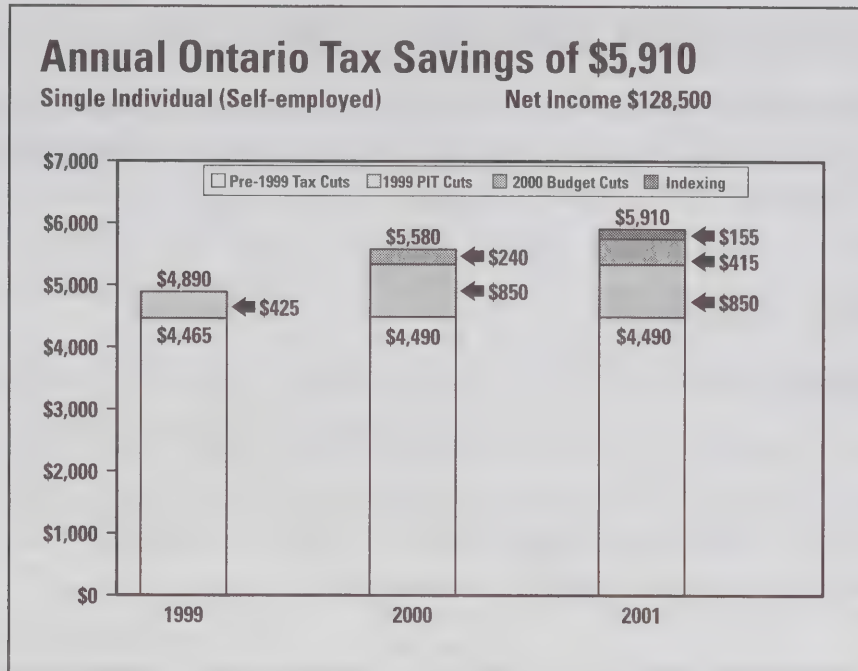


- A professor earns \$77,000 a year, contributes \$4,300 annually to the university pension and has realized capital gains of \$5,000 through various investments. A teacher earns \$58,000, pays \$750 in union dues and contributes \$4,560 a year to the teachers' pension fund.
- Ontario's original income tax cuts and the 1999 personal income tax cut will result in savings of \$4,950 in 2001.
- This couple would realize additional savings from Ontario's 2000 Budget cuts of \$795, including capital gains savings of \$115, and indexing benefits of \$190, bringing the total savings to \$5,935.
- In addition, this couple would receive another \$400 from the 1999 Taxpayer Dividend.
- The first step of Ontario's residential education tax cut provides an additional tax saving of \$100 on this couple's three-bedroom home in London, assessed at \$217,000.





- A self-employed lawyer makes \$125,000 a year and contributes \$13,500 to an RRSP. An engineer at a large telecommunications company earns \$84,000 a year. Their two young children (ages two and four) are cared for in their home by a nanny, at a cost of \$18,000 a year, of which \$14,000 is deductible for tax purposes.
- Ontario's original income tax cuts and the 1999 personal income tax cut will result in savings of \$7,335 in 2001.
- This family would realize additional savings from Ontario's 2000 Budget cuts of \$825 and indexing benefits of \$310, bringing the total savings to \$8,470.
- In addition, this family would receive another \$400 from the 1999 Taxpayer Dividend.
- The first step of Ontario's residential education tax cut provides an additional tax saving of \$185 on this family's four-bedroom home in Toronto, assessed at \$402,000.



- A single doctor, with no dependants, earns \$142,000 a year and contributes \$13,500 to an RRSP.
- Ontario's original income tax cuts and the 1999 personal income tax cut will result in savings of \$5,340 in 2001.
- This individual would realize additional savings from Ontario's 2000 Budget cuts of \$415 and indexing benefits of \$155, bringing the total savings to \$5,910.
- In addition, this individual would receive another \$200 from the 1999 Taxpayer Dividend.
- The first step of Ontario's residential education tax cut provides an additional tax saving of \$115 on this individual's three-bedroom home in Ottawa, assessed at \$250,000.

## ■ DETAILS OF REVENUE MEASURES

The following sections provide information on the taxation measures proposed in the Budget. For a precise description of these measures, the reader is advised to consult the amending legislation.

### ■ INCOME TAX ACT

#### **Taxpayer Dividend**

The surging Ontario economy has allowed tax revenue to exceed 1999 Budget forecasts. As a result, the Province will be able to eliminate the deficit one year ahead of schedule and still provide a dividend of up to \$200 of Ontario personal income tax to every eligible Ontario taxpayer for the 1999 taxation year.

- Eligible Ontario taxpayers would receive refunds of their 1999 Ontario personal income tax, including surtax, if any, and after deducting the Ontario Tax Reduction and foreign tax credits, if any, to a maximum of \$200.
- A minimum rebate of \$25 would be paid to taxpayers with Ontario personal income tax greater than \$0 and up to \$25.
- Trusts would not be eligible for the rebate. Individual Ontario taxpayers who emigrated from Canada in 1999 or who were non-residents of Canada in 1999 would not be eligible for the rebate.
- Taxpayers who were resident in other provinces or territories and who paid Ontario tax in 1999 on business income allocated to Ontario would be eligible for the rebate.
- Rebates would be based on assessments of 1999 Ontario personal income tax.
- Eligible Ontario taxpayers who have not filed their 1999 personal income tax returns by December 31, 2000, would not be entitled to receive a rebate.
- As with any personal income tax refunds, rebates would be set off against any federal, provincial or family support debts, prior to being paid out to eligible taxpayers.

## Further Cuts to the Ontario Personal Income Tax

Beginning with the 2000 taxation year, Ontario's tax brackets and rates are proposed to be set independently of the federal tax brackets and rates. Ontario's personal income tax system would be fully indexed for inflation starting in 2001. In addition, this Budget proposes a reduction in the Ontario personal income tax rates applied to the first and middle income brackets effective July 1, 2000.

- For withholding purposes, effective July 1, 2000, and for the 2000 taxation year, Ontario's new tax brackets and rates are proposed to be:

Tax Brackets (Ontario Taxable Income \$)	Ontario Tax Rates (Per Cent)	
	Effective July 1, 2000	2000 Tax Year
Less than \$30,004	6.20	6.37
\$30,004 to \$60,009	9.24	9.62
More than \$60,009	11.16	11.16

## Non-Refundable Tax Credits

With the exception of the charitable donations tax credit, Ontario non-refundable tax credits would be calculated using the lowest income tax rate applied to the amounts used to determine federal non-refundable tax credits. The tax rate used to calculate Ontario non-refundable tax credits would be 6.37 per cent for the 2000 taxation year and 6.20 per cent in 2001.

- Non-refundable tax credits that are based on income received, such as pension income (subject to a maximum amount), or amounts paid, such as CPP contributions, EI premiums, medical expenses, tuition fees and student loan interest, would be calculated by multiplying the appropriate income or payment by 6.37 per cent in 2000 and 6.20 per cent in 2001.



- It is proposed that non-refundable tax credits that are based on specified amounts would be provided as follows for the 2000 taxation year:

<b>Tax Credit</b>	<b>Amount (\$)</b>	<b>Value in 2000 (\$)</b>
Basic personal amount	7,231	461
Spousal/equivalent-to-spouse amount	6,140	391
Net income threshold	614	
Infirm dependant amount	2,386	152
Net income threshold	4,845	
Caregiver amount	2,386	152
Net income threshold	11,661	
Age amount	3,531	225
Net income threshold	26,284	
Disability amount	4,293	273
Medical expense tax credit		
3 per cent of net income ceiling	1,637	104
Education amount		
Amount per month enrolled full-time	200	13
Amount per month enrolled part-time	60	4
Pension income		
Maximum amount	1,000	64
Tuition fees and education amount		
Maximum amount transferable to spouse, parent or grandparent	5,000	319

In 2001, the amounts on which the tax credits are based would be indexed to inflation, and the tax credits calculated using a tax rate of 6.20 per cent.

- Ontario's lowest tax rate (6.37 per cent in 2000 and 6.20 per cent in 2001) would be applied to the first \$200 of donations and gifts, and Ontario's highest tax rate (11.16 per cent in 2000 and subsequent years) would be applied on allowable donations and gifts in excess of \$200.

## Surtax and Tax Reduction

Ontario's two-tiered surtax is calculated as a percentage of basic Ontario tax in excess of specified amounts. To parallel the reduction in the first and middle personal income tax rates, it is proposed that the basic Ontario tax thresholds above which the surtax rates apply be adjusted.

- Effective July 1, 2000, the surtax would be calculated as 20 per cent of Ontario income tax in excess of \$3,466 plus 36 per cent of Ontario income tax in excess of \$4,373.
  - For the 2000 taxation year, the surtax would equal 20 per cent of Ontario income tax in excess of \$3,561 plus 36 per cent of Ontario income tax in excess of \$4,468.

The Ontario Tax Reduction reduces or eliminates Ontario personal income tax payable by taxpayers with low and moderate incomes. To parallel the reduction in Ontario's first and middle personal income tax rates, it is proposed that the program parameters be adjusted to maintain the income levels at which benefits are provided by the Ontario Tax Reduction.

- Effective July 1, 2000, the basic reduction would be \$152 and the amount in respect of each dependent child age 18 or under and each dependant with a disability would be \$309.
  - For the 2000 taxation year, the basic reduction would be \$156 and the supplement for each dependent child age 18 or under and each dependant with a disability would be \$317.

## Indexing

The Made-for-Ontario system is proposed to be fully indexed to inflation. Full indexation is proposed to apply to all Ontario tax brackets and non-refundable tax credits, as applicable. It would also apply to Ontario Tax Reduction and surtax values. Ontario would no longer receive additional tax revenue solely because of income increases that keep up with inflation.

Annual adjustments to Ontario's non-refundable tax credit amounts and tax brackets are proposed to be based on the consumer price index (CPI). The indexing factor would be equal to the average CPI for the 12-month period ending on September 30 of the

previous year, relative to the average CPI for the 12-month period ending on September 30 of the year earlier. In 2000, the increase in value of the new Ontario brackets and applicable non-refundable tax credits would be equivalent to applying an indexing adjustment of 1.4 per cent.

## Capital Gains Inclusion Rate

To stay competitive with other jurisdictions and ensure that Ontario's tax system is conducive to investment, savings and entrepreneurship, it is proposed that the capital gains inclusion rate be reduced from 75 per cent to 50 per cent over the next five years.

In the 2000 taxation year, the Government proposes to reduce the inclusion rate for capital gains that result from the realization of capital gains after February 27, 2000, from 75 per cent to 66⅔ per cent. Starting in the 2001 taxation year, Ontario's inclusion rate would be further cut, from 66⅔ per cent to 62 per cent. It would be further reduced to 50 per cent by 2004.

Certain capital gains that arise from charitable donations are currently eligible for a 50 per cent deduction before the capital gains inclusion rate is applied. This system would be maintained such that the effective inclusion rate for these gains would be reduced from 33⅓ per cent to 25 per cent by 2004.

Adjustments are proposed in respect of related items: allowable business investment losses; net capital losses of other years; the \$500,000 lifetime capital gains exemption for qualified small business corporation shares and qualified farm property; and amounts included in income pursuant to paragraphs 110(1)(d) through (d.3) of the *Income Tax Act* (Canada).

### Proposed Schedule of Capital Gains Inclusion Rate

Taxation Year	Ontario Capital Gains Inclusion Rate
1999	75%
2000	66⅔% <sup>1</sup>
2001	62%

<sup>1</sup> For capital gains realized after February 27, 2000.



## Tax-on-Income Technical Issues

Moving to a Made-for-Ontario tax system would also provide more flexibility over a number of more technical aspects of the personal income tax system that, in the past, were included in basic federal tax and paralleled automatically by Ontario. The following tax treatment is proposed for technical aspects of Ontario's personal income tax system in 2000 and 2001.

- To maintain Provincial support for the relief from double taxation of corporate income distributed as dividends, this Budget proposes to set the Ontario dividend tax credit at 38.5 per cent of the federal dividend tax credit.
- In 2000, Ontario alternative minimum tax (AMT) would be calculated as 37.5 per cent (36.5 per cent in 2001) of the additional tax attributable to the federal AMT calculation and would be added to Ontario tax calculated under the regular rules. The calculation for 2000 would be expressed as:

$$\text{Ontario AMT} = \text{Ontario Tax} + 37.5 \text{ per cent} \times (\text{Federal AMT} - \text{Federal Tax})$$

In 2001, the appropriate percentage rate would be 36.5 per cent. The amount by which Ontario AMT exceeds the level of tax calculated under the regular rules may be carried forward for up to seven years and used to reduce future Ontario taxes in those years.

- The Ontario overseas employment tax credit (OETC) would be calculated by multiplying the federal OETC by 38.5 per cent.
- A claim for medical expenses that were paid for a dependant, other than a spouse, must be reduced where the dependant's net income exceeds the basic personal amount. For Ontario purposes, it is proposed that the claim made by an individual, for the medical expenses of a dependant that exceed the dependant's basic personal amount, be reduced by 25.5 per cent in 2000 and 24.8 per cent in 2001.
- Recipients of CPP/QPP disability benefits can elect to have these lump-sum benefits taxed in the year(s) to which they relate. Currently, when such an election is made, the Canada Customs and Revenue Agency makes the necessary recalculations and reports any changes as a tax adjustment. Ontario proposes to continue to provide a comparable tax adjustment. The Provincial tax reduction on CPP/QPP lump-sum payments would be the same percentage as the federal tax reduction on the payments.



- Certain lump-sum pension payments and deferred profit-sharing plan payments received from plans in existence before 1972 qualify for averaging over a number of years. Ontario proposes to continue to provide a comparable tax adjustment. The Provincial tax reduction on the payments would be the amount(s) a taxpayer elects to have taxed in the prior year(s) to which it relates.
- It is proposed that *inter-vivos* trusts would be taxed at Ontario's highest personal income tax rate. Ontario's personal income tax rate structure would be applied to testamentary and grandfathered *inter-vivos* trusts. Trusts would not be eligible for non-refundable tax credits.
- Under federal legislation, a special tax adjustment is provided in respect of income splitting with minor children. This is designed to account for certain types of activities that otherwise would circumvent the rules that apply the progressive rate structure to taxpayers. Any income subject to this measure would be taxed at Ontario's highest personal income tax rate and would be ineligible for any deductions or credits other than the dividend tax credit and the foreign tax credit attributable to that income.
- An individual with business income in more than one province is required to allocate this business income between the provinces. It is proposed that Ontario's personal income tax structure be applied to such an individual's total taxable income. After subtracting the individual's non-refundable tax credits, the resulting basic Ontario tax would be adjusted to reflect Ontario's share of taxable income, based on the federal allocation formula.
- To ensure that the use of non-refundable tax credits is maximized by taxpayers, it is proposed that the credits be claimed in the following order:
  - a) credits that cannot be transferred or carried over,
  - b) credits that can be transferred to a spouse or a supporting individual, and
  - c) credits that can be carried over.

## **Ontario Research Employee Stock Option Deduction**

The Government recognizes the importance of providing a competitive tax system to help Ontario high-technology companies to attract and retain highly skilled workers. In the 1999 Budget, a framework for a new tax measure relating to stock option benefits was proposed. Following the 1999 Budget, consultations were held on specific design aspects of this program. As well, changes to the underlying Ontario personal income tax treatment of stock option benefits have been proposed. Following are the finalized

parameters for the Ontario Research Employee Stock Option Deduction. This deduction would be available in respect of the taxable amount of stock option benefits and capital gains arising from the sale of shares acquired through the exercise of employee stock options granted after Royal Assent of the enabling legislation. The maximum deduction available to an individual in a year would be \$100,000.

## Eligible Employee

An individual would be an eligible employee for a taxation year if

- he or she spends at least 30 per cent of his or her time undertaking directly, supervising or supporting the performance of scientific research and experimental development in Ontario, as described under paragraph 2900(2)(b) of Regulations made to the *Income Tax Act* (Canada), in the corporation's taxation year in which the stock option agreement is entered into;
- he or she is employed by the eligible corporation for at least six consecutive months;
- his or her employment is full-time or permanent part-time as defined under the *Employment Equity Act*;
- he or she is not a specified shareholder, as defined under subsection 248(1) of the *Income Tax Act* (Canada). This means that, generally speaking, he or she does not own directly or indirectly, 10 per cent or more of any class of shares of the corporation.
  - In determining a person's ownership of any class of shares of a corporation, stock options granted to the person are deemed to have been exercised.
- in respect of a claim for a deduction for stock option benefits, he or she is a resident of Ontario
  - (i) on December 31 of the year in which an eligible stock option agreement is entered into; and
  - (ii) on December 31 of the year in which a paragraph 110(1)(d) or (d.1) deduction under the *Income Tax Act* (Canada) in respect of the eligible stock option is claimed; and
- in respect of a claim for a deduction for capital gains, he or she is a resident of Ontario
  - (i) on December 31 of the year in which the agreement is entered into; and
  - (ii) on December 31 of the year in which the underlying shares are sold.

## Eligible Stock Options

Eligible stock options would be those

- granted to an employee by virtue of his or her employment with the corporation;
- that qualify for a deduction under paragraph 110(1)(d) or (d.1) of the *Income Tax Act* (Canada); and
- that are not to replace or to exchange existing options granted under an agreement that is entered into before the effective date.

## Eligible Capital Gains

- Eligible capital gains would be those arising from the sale of shares acquired by exercising eligible stock options.

## Eligible Corporation

An eligible corporation would be a corporation that

- carries on a business through a permanent establishment in Ontario, either by itself or as a member of a partnership, in a taxation year in which a stock option agreement is entered into;
- directly undertakes scientific research and experimental development (R&D) at a permanent establishment in Ontario, either by itself or as a member of a partnership, in the taxation year immediately preceding the year in which the stock option agreement is entered into; and
- incurs at a permanent establishment in Ontario, by itself, as a member of a partnership or in combination with one or more corporations associated with it throughout the year, an amount of eligible R&D expenditures that is at least:
  - (i) \$25 million; or
  - (ii) 10 per cent of the aggregate total revenuein the taxation year immediately preceding the year in which the stock option agreement is entered into.



## Eligible R&D Expenditures

- Eligible R&D expenditures would be those that qualify for the Ontario R&D Super Allowance.
- In situations where one company contracts another company to perform scientific research and experimental development, adjustments would be required to attribute the R&D expenditures back to the R&D performer.

## Definition of Scientific Research and Experimental Development

- Scientific research and experimental development would have the same meaning as that used under subsection 248(1) of the *Income Tax Act* (Canada).

## Start-up Companies

- For the first year of operation of a corporation, the spending tests would be applied to that year.

## Deductions from Income

- A deduction from taxable income, as determined under subsection 2(2) of the *Income Tax Act* (Canada), would be allowed in respect of the aggregate of
  - (i) the taxable portion of eligible stock option benefits; and
  - (ii) eligible taxable capital gainsnot exceeding \$100,000 for the year.

## Effective Date

- The deduction would be available for eligible stock options granted after Royal Assent of the enabling legislation.



## **Enhanced Tax Deductions for Purchasers of Flow-Through Shares**

### **Ontario Focused Flow-Through Share Program (OFFTS)**

In recognition of the fact that the initial stage of mining exploration is a high-risk venture and to encourage mineral exploration in Ontario, the Province proposes to provide a new flow-through share incentive by offering eligible individual shareholders a bonus deduction, in addition to the 100 per cent currently available in respect of the eligible corporate exploration expenses. The bonus deduction would be limited to eligible exploration expenses incurred at the “grass-roots-level,” i.e., surface mining in respect of shares issued by junior mining companies.

Consultations with interested stakeholders will be held during the coming summer to determine program definitions such as grass-roots-level surface mining, junior mining companies, eligible individual investors and eligible exploration expenses.

### **Description of Ontario Focused Flow-Through Share Program**

- Ontario would offer individual shareholders a bonus deduction of 30 per cent of Ontario eligible expenses, in addition to the existing deduction.
- For ease of comprehension, the rules of the Ontario focused flow-through share program would generally use the same structure as the federal flow-through share regime for Canadian Exploration Expenses. Modifications to the existing federal definitions would be made where appropriate.
- Flow-through shares are an “expense for shares transaction” governed by an agreement between the issuing company and the investor. The transaction contains three components:
  - the exchange of consideration for new shares;
  - the incurring of eligible exploration expenses; and
  - the renunciation of the expenses to the shareholder. Once renounced, the expenses are deemed to have been incurred by the shareholder.
- In order to qualify as a flow-through share, a share must:
  - be issued pursuant to an agreement entered into after February 1986;
  - be issued by a principal business corporation; and
  - not be a prescribed share (defined in federal Regulations generally as a share whereby the shareholder’s risk of loss is reduced at any time within five years of issuance).



- In addition to the agreement, the issuing company must incur exploration expenses equal to the consideration received for the share.
- The expenses must be incurred within 24 months after the end of the month in which the agreement is entered into.
- The issuing company must renounce an amount equal to the eligible expenses incurred under the agreement within 30 days after the end of the two-year period, in a prescribed form.
- If expenditures are never incurred, then the flow-through share regime requires a revision of the amounts flowed out.

### **Ontario Eligible Expenses**

- The company's exploration expense must be incurred in Ontario and, to be eligible for renunciation, the expense must qualify as a Canadian Exploration Expense (CEE) as defined in the federal Act. For Ontario's purpose, the definition of CEE would be modified.

### **Effective Date**

- The deduction would be available following Royal Assent of the enabling legislation.

## **Ontario Child Care Supplement for Working Families**

In the 1998 Budget, the Government introduced the Ontario Child Care Supplement for Working Families as a reinvestment under the National Child Benefit initiative. Additional funds will be made available in July 2000 as a result of the enrichment of the National Child Benefit by the federal government in the 2000 federal budget.

The Government proposes to introduce a new single parent's benefit as part of the Ontario Child Care Supplement for Working Families. This change would increase the maximum annual benefit by \$210 for single parents from \$1,100 to \$1,310 per child under age seven, effective July 2000.

For families with earnings from work (including self-employment), benefits are calculated as a percentage of earnings in excess of \$5,000, depending on the number of children in the family who are under age seven.

Benefits are reduced by eight per cent of family net income in excess of \$20,000.

- Benefits are based on 21 per cent of earnings above \$5,000 for a family with one child under age seven, 42 per cent for a family with two children under age seven, and 63 per cent for a family with three or more children under age seven.
- The maximum annual benefit for a family with two parents is \$1,100 multiplied by the number of children under age seven.
- The new maximum annual benefit for a single-parent family would be \$1,310 multiplied by the number of children under age seven.

The new benefit would be paid beginning with the July 2000 payment, or as a lump-sum retroactive amount depending on when the Legislature enacts the necessary changes to the legislation and on administrative considerations.

Benefit entitlements for the period July 2000 to June 2001 would be calculated on the basis of amounts reported on the 1999 income tax returns and Canada Child Tax Benefit information.



## ■ CORPORATIONS TAX ACT

### **Cutting Corporate Income Tax Rates**

To promote job growth and investment, Ontario's corporate income tax rates must remain competitive with those in other jurisdictions.

Ontario's general corporate income tax rate is currently set at 15.5 per cent of taxable income. Income from manufacturing and processing, mining, logging, farming and fishing is subject to a lower tax rate of 13.5 per cent. While other jurisdictions have been cutting tax rates, the general Ontario corporate income tax rate has remained unchanged since 1985.

To improve Ontario's tax competitiveness, the Government proposes to cut both the general corporate income tax rate and the tax rate on income from manufacturing and processing, mining, logging, farming and fishing. These tax rate cuts would be phased in over six years, starting Budget Day. When fully phased in, both tax rates would be 8 per cent. This Budget announces the first two stages of the proposed tax cut.

In 1998, the Government implemented legislation to cut the small business corporate income tax rate from 9.5 per cent to 4.75 per cent by 2006. The small business tax rate is currently 8 per cent. This Budget proposes to accelerate and enhance the small business tax rate reduction, effective Budget Day. When the tax rate cut is fully implemented in 2005, the small business tax rate would be 4 per cent.

### **General Income Tax Rate**

- Effective Budget Day, the tax rate would be reduced from 15.5 per cent to 14.5 per cent.
- On January 1, 2001, the tax rate would be further reduced to 14 per cent.

### **Tax Rate on Manufacturing and Processing Income**

- Effective Budget Day, the tax rate on income from manufacturing and processing, mining, logging, farming and fishing would be reduced from 13.5 per cent to 12.5 per cent.
- On January 1, 2001, the tax rate would be further reduced to 12 per cent.



## **Tax Rate on Small Business Income**

- The schedule implemented in 1998 to cut the small business tax rate from 9.5 per cent in 1998 to 4.75 per cent by 2006 would be accelerated as follows:
  - effective Budget Day, the income tax rate would be reduced from 8 per cent to 7 per cent;
  - effective January 1, 2001, the tax rate would be 6.5 per cent;
  - effective January 1, 2002, the tax rate would be 6 per cent;
  - effective January 1, 2003, the tax rate would be 5.5 per cent;
  - effective January 1, 2004, the tax rate would be 5 per cent; and
  - effective January 1, 2005, the tax rate would be 4 per cent.
- Effective Budget Day, the reduced tax rate available to credit unions on income in excess of the small business deduction would be harmonized with the small business tax rate.

## **All Tax Rates**

- All tax rate reductions would be prorated for taxation years straddling the effective dates.

## **Extending the Small Business Income Tax Rate to More Small Businesses**

Currently, the small business deduction reduces the Ontario corporate income tax rate from 15.5 per cent to 8 per cent for small Canadian-controlled private corporations. The full small business deduction is available to Canadian-controlled private corporations with taxable income of up to \$200,000. The benefit of the small business deduction phases out between \$200,000 and \$500,000 of taxable income.

It is proposed that the benefit of the lower small business corporate income tax rate be extended to businesses with up to \$400,000 of taxable income. The phase-out range would be extended from \$400,000 to \$1 million. This higher threshold would be introduced over a five-year period to correspond with the scheduled reductions in the small business corporate income tax rate to 4 per cent:

- effective January 1, 2001, the threshold would be raised to \$240,000 with the phase-out range extending from \$240,000 to \$600,000;

- effective January 1, 2002, the threshold would be raised to \$280,000 with the phase-out range extending from \$280,000 to \$700,000;
- effective January 1, 2003, the threshold would be raised to \$320,000 with the phase-out range extending from \$320,000 to \$800,000;
- effective January 1, 2004, the threshold would be raised to \$360,000 with the phase-out range extending from \$360,000 to \$900,000; and
- effective January 1, 2005, the threshold would be raised to \$400,000 with the phase-out range extending from \$400,000 to \$1 million.

The increases in the threshold would be prorated for taxation years straddling the effective dates.

## Capital Gains Inclusion Rate

For dispositions of property after February 27, 2000 and before January 1, 2001, the inclusion rate for capital gains and losses would be reduced from 75 per cent to 66⅔ per cent.

For dispositions occurring on or after January 1, 2001, the inclusion rate would be reduced from 66⅔ per cent to 62 per cent, and would be further reduced to 50 per cent by 2004. The phase-in to the 50 per cent inclusion rate would parallel the scheduled reductions in the inclusion rate for individuals.

The reduction in the capital gains inclusion rate would also apply to allowable business investment losses, net capital losses of other years, capital gains reserves and donations of listed securities and ecologically sensitive lands.

## Educational Technology Tax Incentive

The Government is proposing to introduce an Educational Technology Tax Incentive to encourage businesses to support Ontario's community colleges and universities in acquiring new teaching equipment and learning technologies. The incentive would apply to donations or price discounts made by businesses after Budget Day in respect of new teaching equipment and learning technologies. Corporations would be eligible for an additional deduction of 15 per cent and unincorporated businesses a refundable tax credit of 5 per cent.

## **Eligible Teaching Equipment and Learning Technologies**

Eligible teaching equipment and eligible learning technologies would be for use in classroom instruction or distance learning at eligible Ontario post-secondary educational institutions.

### ■ Eligible Teaching Equipment

- Eligible teaching equipment would include new specialized machinery, instruments, tools, computer software and other classroom, laboratory, studio or shop instructional equipment integral to course delivery.
- Ineligible items would include standard classroom furniture, generic computer software programs and equipment related to maintenance of the building or facility.

### ■ Eligible Learning Technologies

- Eligible learning technologies would include new information and communications equipment, such as multi-media projectors and specialized computer software, that enhances instructional delivery and interaction among students and between students and instructors.

## **Eligible Ontario Post-Secondary Educational Institutions**

Eligible post-secondary educational institutions would include all provincially assisted Ontario colleges of applied arts and technology and universities.

## **Tax Incentive**

Corporations would be eligible for an additional deduction of 15 per cent and unincorporated businesses for a 5 per cent refundable tax credit on the amount by which the price that would normally be paid by an educational institution for the eligible teaching equipment or learning technology exceeds the actual price paid.

## **Effective Date**

The proposed incentive would be available for donations and price discounts made after Budget Day.





## **Enhancing and Simplifying Ontario's Film Tax Incentives**

The Ontario Film and Television Tax Credit (OFTTC) is a 20 per cent refundable tax credit available to Ontario-based, Canadian-controlled production companies producing eligible productions in Ontario.

The Ontario Production Services Tax Credit (OPSTC) is an 11 per cent refundable tax credit on the Ontario labour costs of foreign-based and domestic productions that are not claimed for purposes of the OFTTC.

To ensure the continued growth of the film and television industry in Ontario, the Government is proposing to enhance and simplify these incentives.

### **New Regional Bonuses**

For productions that have at least five location days in Ontario and at least 85 per cent of location days in Ontario outside the Greater Toronto Area, the Government is proposing the following regional bonuses under Ontario's film tax incentives:

- the OFTTC would provide a 10 per cent bonus on Ontario labour expenditures incurred after Budget Day; and
- the OPSTC would provide a 3 per cent bonus on Ontario labour expenditures incurred after Budget Day.

### **Enhancing and Simplifying the OFTTC**

At present, the OFTTC is based on the lesser of Ontario labour expenditures and 48 per cent of the cost of the production net of certain government assistance.

Effective for productions commencing principal photography after Budget Day, the Government is proposing the following measures:

- the OFTTC would be based only on Ontario labour expenditures, net of certain government assistance reasonably related to those expenditures; and
- equity investment by government agencies would be treated as government assistance with any reduction in Ontario labour expenditures calculated on a pro-rata basis.



## **Expanding the Ontario Sound Recording Tax Credit**

The Ontario Sound Recording Tax Credit is a 20 per cent refundable tax credit available to eligible Ontario sound recording companies for qualifying expenditures related to sound recordings by emerging Canadian artists.

To promote investment and jobs in the Ontario sound recording industry and to better support new and emerging Canadian artists, the Government is proposing to expand and simplify the Ontario Sound Recording Tax Credit:

- It is proposed that the credit would be available to all Ontario-based, Canadian-controlled sound recording companies. Currently, only sound recording companies with assets of \$10 million or less and total revenues of \$20 million or less qualify for this credit.
- An eligible sound recording company must carry on its sound recording business for at least 24 months preceding the taxation year and allocate, in the current taxation year, more than 50 per cent of its taxable income to Ontario. To simplify compliance, it is proposed that the corporation meet the allocation criteria in the preceding taxation year.
- The Government proposes to expand the 24-month test to include time spent as a sole proprietorship and, in the case of a corporate reorganization, time spent by a predecessor corporation.

These changes would be effective for expenditures incurred after January 1, 1999.

## **Enhancing the Ontario Book Publishing Tax Credit**

The Ontario Book Publishing Tax Credit (OBPTC) is a 30 per cent refundable tax credit available to eligible Ontario publishing companies for qualifying expenditures in respect of eligible literary works by first-time Canadian authors.

To further support the publishing and development of first-time Canadian authors, it is proposed that for qualifying expenditures incurred after Budget Day, the OBPTC would be enhanced as follows:

- eligible literary works would include the first three works by a Canadian author; and
- the maximum tax credit for each eligible literary work would be increased from \$10,000 to \$30,000.



## Expanding the Ontario Interactive Digital Media Tax Credit

The Ontario Interactive Digital Media Tax Credit is a 20 per cent refundable tax credit available to corporations for the creation in Ontario of original interactive digital media products.

To strengthen the competitiveness of Ontario's digital media industry, the tax credit would be extended to include up to \$100,000 of qualifying marketing and distribution expenses directly related to an eligible interactive digital media product. Qualifying expenses would include the costs of:

- attending trade shows where the product is being promoted;
- preparing the product for display or demonstration;
- advertising the product in print and electronic media; and
- making the product available to consumers through distribution networks.

Qualifying marketing and distribution expenses would be limited to those incurred in the 24-month period prior to the completion of the eligible interactive digital media product, and those incurred in the 12 months following the completion of the product. This measure would be effective for expenses incurred after Budget Day.

## Ontario R&D Super Allowance

Research and innovation are two of the key determinants of the future standard of living of Canadians. Unfortunately, the federal government has chosen to ignore this crucial reality.

One important way that Ontario encourages research and development (R&D) is to provide a special additional Provincial income tax deduction for R&D expenditures undertaken by any corporation in Ontario. Since 1988 this incentive, the Ontario R&D Super Allowance, has provided significant tax support to R&D performers. Presently the Super Allowance provides more than \$100 million per year in funding for R&D projects in Ontario.

The 2000 federal budget proposes to penalize corporations undertaking R&D in Ontario. Specifically, the federal budget proposes to treat Provincial deductions for scientific research and experimental development that exceed the actual amount of the expenditure as government assistance for taxation years ending after February 2000.

As proposed, this federal measure will effectively, and retroactively, punish all Ontario R&D performers who are benefiting from the Super Allowance. Raising the cost of performing R&D in Ontario in this manner could reduce R&D spending in Ontario, harming Ontarians for years to come.

Ontario proposes not to harmonize with this federal measure.

### **Tax Harmonization Measures**

The Government is proposing to parallel, with necessary modifications, certain tax measures and effective dates announced in the 2000 federal budget and other federal releases. These measures include:

- paralleling the capital cost allowance (CCA) changes allowing for separate manufacturing and processing property classes, and increasing the CCA rates for rail assets, electrical generating equipment, and production and distribution equipment of a distributor of water or heat; and
- extending the manufacturing and processing tax credit to corporations that produce and sell steam for uses other than the generation of electricity. For Ontario tax purposes, the credit would be phased in commencing with an initial 1 per cent on January 1, 2000, increasing to 1.5 per cent on January 1, 2001, and attaining the full tax credit on January 1, 2002. The credit would be prorated for taxation years straddling these effective dates.

## ■ EMPLOYER HEALTH TAX ACT

It is proposed that the Employer Health Tax would no longer apply to employee stock option benefits arising from the exercise or disposition of stock options granted by eligible research and development-intensive companies.

### **Eligible Corporation**

An eligible corporation would be a corporation that:

- carries on a business through a permanent establishment in Ontario, either by itself or as a member of a partnership, in a taxation year in which a stock option agreement is entered into;
- directly undertakes scientific research and experimental development (R&D) at a permanent establishment in Ontario, either by itself or as a member of a partnership, in the taxation year immediately preceding the year in which the stock option agreement is entered into;
- incurs at a permanent establishment in Ontario, by itself, as a member of a partnership or in combination with one or more corporations associated with it throughout the year, an amount of eligible R&D expenditures that is at least:
  - (i) \$25 million; or
  - (ii) 10 per cent of the aggregate total revenuein the taxation year immediately preceding the year in which the stock option agreement is entered into; and
- conducts significant scientific research and experimental development in Ontario.



### **Eligible R&D Expenditures**

- Eligible R&D expenditures would be those that qualify for the Ontario R&D Super Allowance.
- In situations where one company contracts another company to perform scientific research and experimental development, adjustments would be required to attribute the R&D expenditures back to the R&D performer.

### **Definition of Scientific Research and Experimental Development**

- Scientific research and experimental development would have the same meaning as that used under subsection 248(1) of the *Income Tax Act* (Canada).

### **Eligible Stock Options**

Eligible stock options would be those:

- granted to an employee by virtue of his or her employment with the corporation;
- that qualify for a deduction under paragraph 110(1)(d) or (d.1) of the *Income Tax Act* (Canada); and
- that are not to replace or to exchange existing options granted under an agreement that is entered into before the effective date.

### **Effective Date**

The measure is proposed to be effective on May 2, 2000, for options exercised after that date.

## ■ MINING TAX ACT

Ontario mineral producers make significant contributions to the Ontario economy. This Budget proposes to provide tax support to the Ontario mining industry to improve its competitiveness.

### **Reducing the Ontario Mining Tax**

The Ontario mining tax is a 20 per cent tax on mining profits over \$500,000 earned from mining operations in Ontario.

In order to support the competitive position of this important Ontario industry, the mining tax rate would be reduced to 10 per cent over five years as follows:

- effective Budget Day, the mining tax rate would be 18 per cent;
- effective January 1, 2001, the rate would be 16 per cent;
- effective January 1, 2002, the rate would be 14 per cent;
- effective January 1, 2003, the rate would be 12 per cent; and
- effective January 1, 2004, the rate would be 10 per cent.

The mining tax rate reductions would be prorated for taxation years straddling the effective dates.

### **Providing Additional Support to Remote Ontario Mines**

To recognize the additional costs to develop and operate mines in remote areas of the province, it is proposed that the existing three-year mining tax holiday be extended to 10 years for new mines opened in remote locations in Ontario after January 1, 2001.

In addition, after the proposed holiday, the profits from the operation of a remote mine would be taxed at 5 per cent.

## ■ **LAND TRANSFER TAX ACT**

### **Making the Land Transfer Tax Refund Program for First-Time Buyers of Newly Built Homes Permanent**

On March 21, 2000, the Government announced a one-year extension of the temporary refund program available to first-time buyers of newly built homes. Legislation will be introduced to make this program permanent, effective April 1, 2000.

#### **Eligibility Criteria**

- Current deadlines under the program would be replaced by a requirement that a qualifying purchaser apply for a refund no later than 18 months after registration of the home purchase where a refund is not claimed at the time of registration.
- Other eligibility requirements would remain unchanged.



## ■ RETAIL SALES TAX ACT

### Phasing Out RST on Vehicle Insurance Premiums

The RST on motor vehicle insurance premiums would be phased out until it is eliminated in 2004. Legislation will be introduced to reduce the RST rate to four per cent for vehicle insurance coverage after Budget Day. The proposed rate would apply to insurance contracts on vehicles that are required to be registered under the *Highway Traffic Act*, and insured under the *Compulsory Automobile Insurance Act*. It is proposed that the rate would be further reduced as follows:

- to three per cent effective April 1, 2001;
- to two per cent effective April 1, 2002;
- to one per cent effective April 1, 2003; and
- to zero per cent effective April 1, 2004.

### Phasing Out RST on Repairs and Replacements Made Under Warranty

The RST on repairs and replacements made under warranty would be phased out until it is eliminated in 2004. Legislation will be introduced to reduce the RST rate to six per cent for repairs and replacements made after Budget Day. It is proposed that the rate would be further reduced as follows:

- to four per cent effective April 1, 2001;
- to two per cent effective April 1, 2002;
- to one per cent effective April 1, 2003; and
- to zero per cent effective April 1, 2004.



## **Exempting Donations to Schools, Colleges and Universities**

Under the current RST legislation, donations to educational institutions may be subject to tax as promotional distributions. Donors are taxed as if they were the users of the donated items. Legislation will be introduced to ensure that donations made to Ontario educational institutions after Budget Day are exempt from RST.

## **Exempting Deposit Insurance Premiums Paid by Credit Unions**

Effective after Budget Day, deposit insurance premiums paid by Ontario credit unions and caisses populaires would be exempt from RST.

## **Exempting Educational CD-ROMs from RST**

Effective for purchases after Budget Day, the Government is proposing to amend the definition of “publications” to include educational CD-ROMs.

- This change would benefit schools, school boards, community colleges, universities and public libraries.



## ■ MAKING THE TAX SYSTEM FAIRER

Ontario will introduce legislation to improve the fairness of the tax system, simplify tax legislation, reduce the administrative burden for taxpayers and ensure that all taxpayers pay their fair share.

### **Phasing Out the Gross Receipts Tax on Telephone and Telegraph Companies**

Under the *Municipal Act* and *Provincial Land Tax Act*, telephone and telegraph companies are required to pay tax on their gross receipts arising from telephone and other equipment, including long distance calls.

As announced in the 1999 Budget, the gross receipts tax rate for 1999 was reduced from five per cent to four per cent. Effective January 1, 2000, it is proposed to reduce the tax rate a further one percentage point to three per cent. The tax rate would continue to be reduced by one percentage point on January 1 of each subsequent year, until the tax is eliminated in 2003.

### **Other**

#### **Incorporation of Professionals**

To level the playing field with other self-employed individuals who can choose whether to operate their businesses through a corporation, this Government proposes that the right to incorporate be extended to all regulated professionals.

Professionals would be able to enjoy many of the same tax and non-tax advantages of incorporation; however, their professional liability would not be limited in any way by practising within a professional corporation, nor would non-members of professional associations be permitted to own shares in a professional corporation.

The Government will consult with stakeholders and develop legislation that would ensure that protection of the public interest is paramount.

It is proposed that changes would take effect upon Royal Assent of enabling legislation.

## **Ontario Guaranteed Annual Income Act**

Currently an anomaly exists in the treatment of a group of Ontario seniors. Seniors who receive benefits under the federal Old Age Security and Guaranteed Income Supplement in accordance with an International Social Security Agreement (ISSA) are not eligible to receive Ontario Guaranteed Annual Income System (GAINS) benefits, no matter how long they lived in Ontario. Canada has ISSAs with over 30 industrialized countries.

Treating those seniors who have qualified for federal seniors' benefits, and have lived in Canada for 10 years, in the same manner as other Ontario seniors is only fair. Therefore, commencing July 1, 2000, all seniors in Ontario will be eligible for GAINS based on their income.

## **Seedlings Used in Reforestation of Crown Lands**

The Government proposes a new exemption in support of the reforestation of Crown lands in Ontario.

Effective May 3, 2000, forest resource licence holders may purchase seedlings used in the reforestation of Crown lands exempt of retail sales tax. To purchase seedlings exempt of RST, licence holders should provide their suppliers with a purchase exemption certificate.

## **Admissions Tax for Charitable Events**

Admissions to events held under the auspices or sponsorship of certain organizations are exempt from the 10 per cent retail sales tax on admissions.

Ontario would implement new rules to clarify how tax applies to events sponsored by these organizations. The proposed changes would specify that, for admissions to seasonal games of professional sports teams to qualify for exemption, at least 90 per cent of the net proceeds of the event must go to one or more of the sponsoring organizations listed in the legislation.

## Technical Amendments

To improve administrative effectiveness and to maintain the integrity and equity of the tax system and the Government's collection and use of revenues, as well as to enhance legislative clarity, various changes will be introduced to the following Ontario statutes:

- *Assessment Act*
- *Community Small Business Investment Funds Act*
- *Corporations Tax Act*
- *Electricity Act, 1998*
- *Employer Health Tax Act*
- *Fuel Tax Act*
- *Gasoline Tax Act*
- *Income Tax Act*
- *Land Transfer Tax Act*
- *Mining Tax Act*
- *Ministry of Treasury and Economics Act*
- *Municipal Act*
- *Ontario Guaranteed Annual Income Act*
- *Provincial Land Tax Act*
- *Retail Sales Tax Act*
- *Tobacco Tax Act*



## ■ REDUCING RED TAPE

### **Reducing Red Tape for Farmers**

To reduce the administrative burden for farmers, the rebate program for farm building materials would be replaced with a point-of-sale retail sales tax exemption. Farmers may purchase materials used exclusively to construct or modernize farm buildings exempt of retail sales tax. The Ministry of Agriculture, Food and Rural Affairs will consult on an implementation strategy.

### **Reducing Red Tape for Small Businesses**

More Ontario small businesses would be eligible to use the Short-Form Corporations Tax Return. The gross revenue and total asset thresholds for using the Short-Form would be increased from \$1 million to \$1.5 million for taxation years ending after 2000.

## ■ ONTARIO SECURITIES COMMISSION FEE REDUCTION

The 1999 Budget announced a 10 per cent reduction in the fees that are charged by the Ontario Securities Commission (OSC). The 2000 Budget proposes a further 10 per cent across-the-board fee reduction. It is proposed that this fee reduction take effect on June 26, 2000. The OSC is continuing the comprehensive review of its fee structure with a view to realigning its revenue with regulatory expenses. The new fee schedule is expected to be in place by July 2001.

## ■ MINISTRY OF NATURAL RESOURCES RENTAL FEES

One thing that is important about any sort of fee, charge, levy or tax is that it must be fair and equitable. While the Government has made considerable progress, more needs to be done. Effective May 3, 2000, the Ministry of Natural Resources will suspend the practice of charging a nominal rental fee for landowners who have boathouses, until such time as a full review and reform, if necessary, of the current practice has been completed.

	2000-01 Benefit (\$ Millions)	Full Year Benefit (\$ Millions)
<b>Benefits to Taxpayers: 2000 Budget Impact Summary</b>		
<b>Personal Income Tax</b>		
Rebate of 1999 Personal Income Tax	N/A	1,020
First and Middle Personal Income Tax Rate Cuts	510	960
Indexation of Personal Income Tax System	195	1,070
Ontario Research Employee Stock Option Deduction	2	70
Ontario Focused Flow-Through Share Program	1	5
<b>Capital Gains Cut to 50 per cent</b>		
First Steps: 75% to 62%, Individuals & Corporations	375	645
<b>Corporations Tax</b>		
Cutting Corporate Income Tax Rates (first 2 stages)	540	770
Extending the Small Business Income Tax Rate	0	19
Educational Technology Tax Incentive	2	6
Enhancing and Simplifying Film Tax Incentives	7	7
Expanding the Sound Recording Tax Credit	2	3
Enhancing the Book Publishing Tax Credit	1	2
Expanding the Interactive Digital Tax Media Credit	0	1
R&D Super Allowance	4	4
Harmonization Measures	20	10
<b>Employer Health Tax</b>	11	20
<b>Mining Tax</b>	5	20
<b>Land Transfer Tax</b>	28	28
<b>Retail Sales Tax</b>		
Phasing Out RST on Vehicle Insurance Premiums	46	265
Phasing Out RST on Repairs and Replacements Made Under Warranty	28	130
Exempting Donations to Schools, Colleges and Universities	4	5
Exempting Deposit Insurance Premiums Paid by Credit Unions	2	2
Exempting Educational CD-ROMs from RST	2	2
<b>Making the Tax System Fairer</b>		
Phasing Out Gross Receipts Tax	50	160
Other	4	6
<b>Reducing Red Tape</b>	0	0
<b>Total Benefits to Taxpayers</b>	<b>1,839</b>	<b>5,230</b>





## **BUDGET PAPER D**

**Ontario's Financing Plan:  
"Cutting Ontario's Debt"**

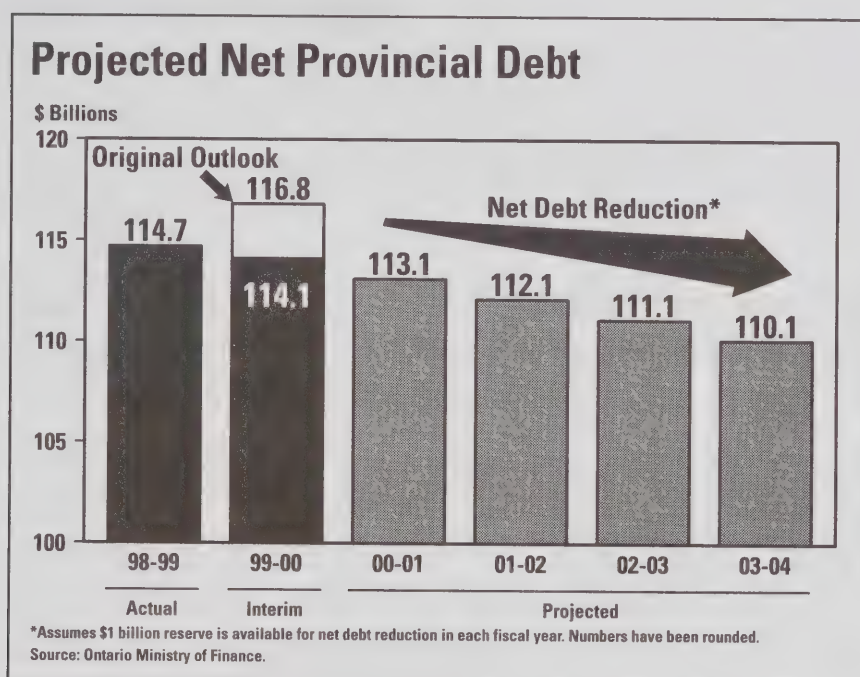




## ■ ONTARIO'S PLAN TO REDUCE NET PROVINCIAL DEBT

Net Provincial Debt as of March 31, 2000 was \$114.1 billion, \$2.7 billion lower than it would have been under the 1999 Budget Plan.

- The \$654 million surplus in 1999-00 has been applied to reduce Net Provincial Debt.
- The Government has increased the reserve from \$500 million to \$1 billion in each of the next four years, with the goal of more than doubling the promised \$2 billion reduction in Net Provincial Debt to at least \$5 billion during the current mandate.



Net Provincial Debt represents the overall financial position of the Province, based on Public Sector Accounting Board (PSAB) accrual and consolidation accounting. Net Provincial Debt is defined as the total liabilities less the financial assets of the Province. It is found in the Public Accounts of Ontario, Financial Statements, Statement of Financial Position.

Net Provincial Debt provides a better overall picture of the Government's financial position. This fuller disclosure is another example of continued improvement and accountability in the Budget itself.

The federal government portrays "Net Public Debt" as its reporting standard. It makes the distinction between "Market Debt" (similar to Funded Debt and Trust Liabilities ) and "Net Public Debt," which represents the overall financial position of the Government of Canada. More details on Net Provincial Debt and Funded Debt and Trust Liabilities are provided in the Financial Tables to this Paper.



## ■ 1999-00 FINANCING PROGRAM CUT BY \$0.9 BILLION

Total requirements to finance cash needs, maturing debt and debt buybacks were \$10.5 billion, \$0.9 billion below the 1999 Budget projection.

Total requirements were financed through an increase in short-term borrowing of \$1.1 billion and long-term borrowing of \$9.1 billion (\$0.9 billion of which was from the Canada Pension Plan). The Province also raised \$0.3 billion through an increase in Deposits with the Province of Ontario Savings Office (POSO).

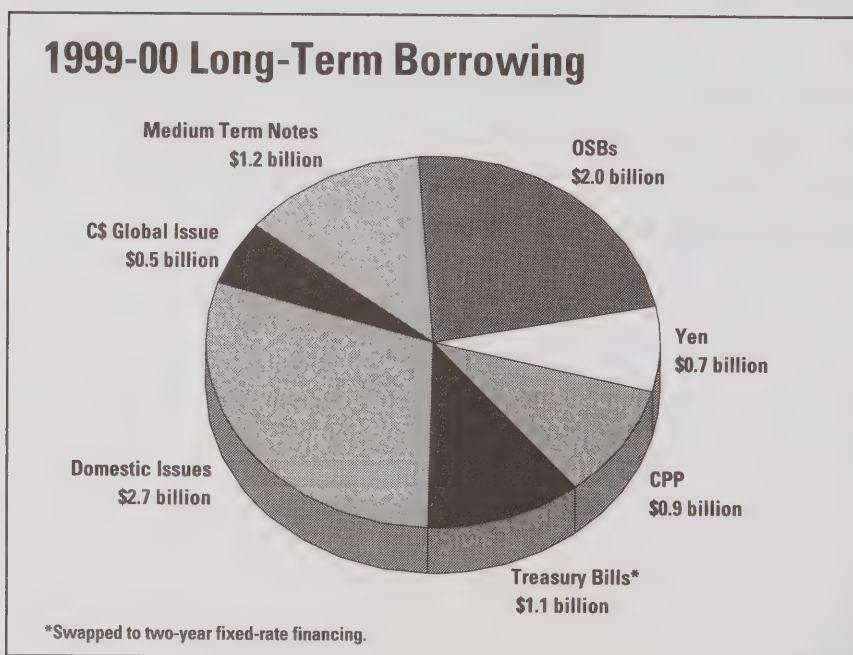
### Long-Term Borrowing Highlights

Of the \$9.1 billion in long-term borrowing, \$8.4 billion was borrowed from the Canadian dollar market and \$0.7 billion from the Japanese yen market. The Province used a variety of instruments to fulfil its 1999-00 long-term borrowing program in order to lower financing costs.

- The Province saved on commissions and fees that would otherwise have been charged in the public market by borrowing \$0.9 billion directly from the CPP to refinance maturing debt held by that entity.
- In mid-January, the Canadian and U.S. yield curves became inverted (long-term bond yields were lower than shorter-term yields) mainly due to supply concerns in the long-term segment of the bond market. The Province benefited from this situation by launching two 40-year Canadian Medium Term Notes (CMTNs) and one domestic 31-year bond issue at rates lower than would have otherwise been achieved by issuing shorter-term securities.



- The development of the CMTN program allowed the Province to take advantage of smaller-sized borrowing opportunities that previously would not have been cost-effective. The Province launched a total of 15 separate Canadian Medium Term Notes targeted at specific investor needs.
- Increased liquidity lowers the Province's cost of borrowing and increases the marketability of Ontario bonds for investors. In order to promote the liquidity of its bonds, the Province purchased smaller, higher-yielding, less liquid Ontario bonds and replaced them with larger, more cost-effective benchmark issues.
- By accessing the Japanese yen market, the Province was able to borrow long-term funds at an interest rate of below 2 per cent, 4.5 per cent lower than the comparable rate in the domestic market. While foreign markets are monitored continuously for cost-effective borrowing opportunities, the Province limits the amount of debt that is left exposed to foreign currencies to 5 per cent of Funded Debt and Trust Liabilities in order to protect itself against fluctuations in foreign-currency exchange rates. Foreign-currency exchange exposure is taken only when the benefits of lower foreign interest rates are perceived to outweigh the risks of potential future foreign-currency appreciation.
- The 1999-00 Ontario Savings Bonds campaign raised just over \$2.0 billion.



## ■ ONTARIO'S 2000-01 FINANCING PROGRAM

The surplus or deficit is determined on a Public Sector Accounting Board (PSAB) basis. The Province's financing requirements represent the total cash requirements of the Province during the year. The difference between financing requirements and the PSAB surplus or deficit is due to a number of transactions that either provide funds to the Province or must be funded by the Province. These transactions, which include Accruals and Consolidations (reflecting changes in payables, receivables and investment in government enterprises), Borrowing on Behalf of Agencies and Changes in Liquid Reserves, determine the financing requirements for the PSAB surplus or deficit.

### 2000-01 Financing Program

(\$ Billions)

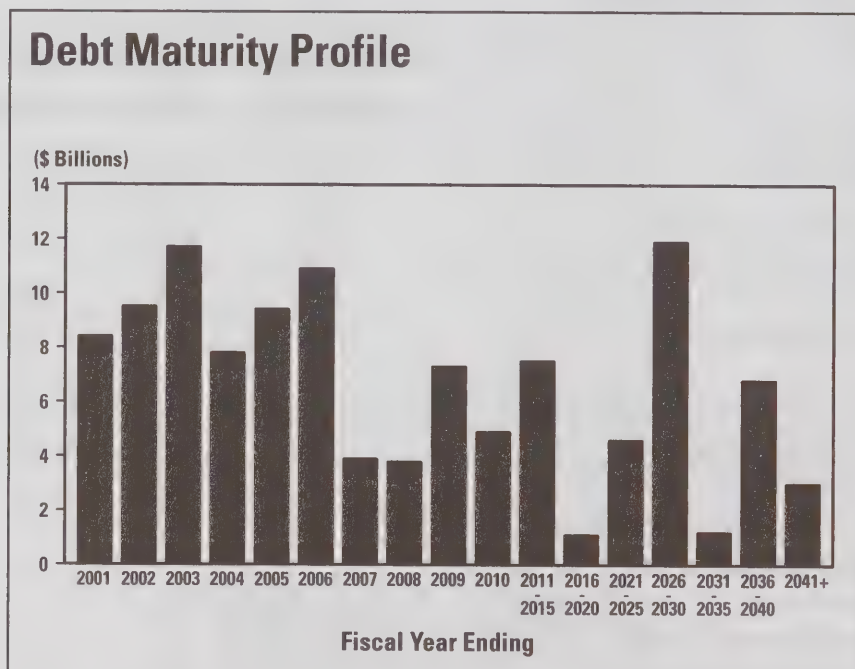
	1999-00 Budget Plan	1999-00 Interim	2000-01 Budget Plan
<b>USES OF FUNDS:</b>			
(Surplus)/Deficit	2.1	(0.7)	-
Accruals and Consolidations	3.2	0.9	5.2
Net Borrowing on Behalf of Agencies	(1.4)	(2.4)*	-
Increase/(Decrease) in Liquid Reserves	(0.6)	3.6	(4.5)
Net Cash Requirements	3.3	1.4	0.7
Maturing Debt	8.1	7.9	8.4
Early Redemptions and Debt Buybacks	-	1.2	0.5
<b>Total Financing Requirements</b>	<b>11.4</b>	<b>10.5</b>	<b>9.6</b>
<b>SOURCES OF FUNDS:</b>			
Canada Pension Plan Borrowing	0.9	0.9	1.0
Increase/(Decrease) in Short-Term Borrowing	1.8	1.1	-
Other Sources	-	0.3	-
Long-Term Borrowing Planned	8.1	-	8.5
Long-Term Borrowing Completed	0.6	8.2	0.1
<b>Total Financing</b>	<b>11.4</b>	<b>10.5</b>	<b>9.6</b>

Numbers may not add due to rounding.

\*Includes \$1.0 billion repayment from School Boards previously classified as Cash Timing Adjustments (now called Accruals and Consolidations).

- Total financing requirements for 2000-01 are projected at \$9.6 billion, of which \$8.4 billion is maturing debt. Just over \$1.0 billion of the maturing debt is held by the Canada Pension Plan and will be refinanced with the CPP. The remaining \$8.6 billion will be financed by long-term public market borrowing.

- The domestic market will continue to be the main source of public financing for the Province, including the sixth annual Ontario Savings Bonds campaign in June. The Province will continue to monitor foreign markets for cost-effective borrowing opportunities.
- The Province will also continue to promote liquidity of its bond issues by purchasing smaller, less liquid Ontario bonds and replacing them with more liquid, cost-effective issues if opportunities arise.
- It is important for the Province to maintain a flexible borrowing approach, given the high levels of maturing debt in the coming years and bond market dynamics. The Province will continue to monitor investor demand in order to react quickly to changes in the market environment.





## OEFC's Financing Needs

The Ontario Electricity Financial Corporation (OEFC) is the Crown agency responsible for the servicing and management of the former Ontario Hydro's provincially guaranteed debt, derivative contracts and certain other liabilities. As the OEFC does not have its own credit rating, the Province borrows on its behalf. In return, the OEFC issues debt to the Province.

- For 1999-00, the Province raised \$2.0 billion in long-term financing on behalf of OEFC, all of which was accomplished in the Canadian dollar market.
- For 2000-01, total OEFC long-term financing requirements are estimated at \$2.5 billion.



## ■ DEBT MANAGEMENT POLICIES

Managing Ontario's debt exposes the Province to financial market risks, such as: foreign currency risk, floating-rate interest risk, refinancing risk, liquidity risk and credit risk. The Province adheres to prudent risk management policies to mitigate its exposures to these risks, while maintaining the needed flexibility in its borrowing and debt management programs.

- The Province's exposure to unhedged foreign currency is limited to 5 per cent of Funded Debt and Trust Liabilities. As of March 31, 2000, the Province's foreign exchange exposure was 1.4 per cent of Funded Debt and Trust Liabilities.
- As of March 31, 2000, net floating-rate interest exposure (net of liquid reserves) was 2.9 per cent of Funded Debt and Trust Liabilities. Effective April 1, 2000, the measure of floating-rate exposure was broadened to include fixed-rate debt maturing within a 12-month period to more accurately reflect total interest rate resetting risk. The new measure limits interest rate resetting risk to no more than 25 per cent of Funded Debt and Trust Liabilities.
- When issuing new debt, the Province aims for a smooth debt maturity profile to diversify interest rate risk inherent in refinancing maturing and floating-rate debt.
- Liquid reserves are maintained at levels sufficient to ensure the Government can meet its short-term financial obligations. Syndicated lines of credit and Ontario's treasury bill and U.S. commercial paper programs are also available to meet additional liquidity needs if necessary.
- Credit risk arises when the Province invests its liquid reserves and when it carries out debt management activities to mitigate risks associated with new borrowing and Funded Debt and Trust Liabilities. To lower credit risk, the Province limits itself to undertaking transactions with the federal and provincial governments and non-government counterparties with high credit quality. The minimum credit rating of a non-government counterparty for long-term transactions is A- and for liquid reserve investments is R-1 (mid). Approximately 80 per cent of the Province's approved counterparties are rated AA- or better.



## **PAPER D**

### **Appendix: Financial Tables**

Table I(A): Net Provincial Debt

Table I(B): Funded Debt and Trust Liabilities

Table I(C): Debt Maturity Schedule

Table I(D): Summary of Ontario Electricity Financial Corporation Interim Debt

Table I(E): Description of Derivative Financial Instruments

Table II: Schedule of Outstanding Debt Incurred by the Province of Ontario

**FINANCIAL TABLES**  
**TABLE I(A)**  
**NET PROVINCIAL DEBT**  
**Interim 2000<sup>(1)</sup>**

<b>As at March 31</b> (\$ Millions)	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>Interim 2000</b>	<b>Plan 2001</b>
<b>Liabilities for Provincial Purposes</b>						
Debt Incurred by the Province	95,598	95,501	99,123	102,299	103,327	104,065
Debt Incurred by Government Service Organizations	2,888	2,891	2,859	2,834	2,817	2,800
Other Debt	<u>2,910</u>	<u>3,119</u>	<u>3,492</u>	<u>4,041</u>	<u>13,158</u>	<u>13,158</u>
Funded Debt and Trust Liabilities	101,396	101,511	105,474	109,174	119,302	120,023
Other Liabilities <sup>(2)</sup>	<u>18,858</u>	<u>19,954</u>	<u>20,748</u>	<u>17,713</u>	<u>17,353</u>	<u>15,832</u>
Total Liabilities for Provincial Purposes	120,254	121,465	126,222	126,887	136,655	135,855
<b>Financial Assets<sup>(3)</sup></b>	(18,390)	(12,696)	(13,487)	(12,150)	(22,572)	(21,772)
<b>Net Provincial Debt</b>	101,864	108,769	112,735	114,737 <sup>(4)</sup>	114,083	114,083

(1) Prepared on the basis of modified accrual and consolidation accounting.

(2) Other Liabilities include Accounts Payable and Accrued Liabilities and Pensions.

(3) Financial Assets include Cash and Temporary Investments, Accounts Receivable and Investment in Government Enterprises.

(4) For more information on Net Provincial Debt (Accumulated Deficit), please see 1998-99 Public Accounts of Ontario, Statement of Financial Position.

**FINANCIAL TABLES**  
**TABLE I(B)**  
**Funded Debt and Trust Liabilities<sup>(1)</sup>**  
 As at March 31

	1996	1997	1998	1999	Interim 2000
(\$ Millions)					
<b>Debt Incurred by the Province</b>					
Non-Public Debt					
Minister of Finance of Canada:					
Canada Pension Plan .....	\$ 11,620	\$ 10,807	\$ 9,956	\$ 9,085	\$ 8,967
Other .....	4	-	-	-	-
	\$ 11,624	\$ 10,807	\$ 9,956	\$ 9,085	\$ 8,967
Ontario Teachers' Pension Fund .....	14,386	14,049	13,822	13,213	12,252
Ontario Municipal Employees Retirement Fund (OMERS) .....	742	722	697	666	622
Colleges of Applied Arts and Technology Pension Plan .....	91	91	91	89	86
Ryerson Retirement Pension Plan .....	16	9	9	8	8
Canada Mortgage and Housing Corporation .....	258	251	244	236	228
Public Service Pension Fund .....	3,884	3,790	3,681	3,604	3,535
Ontario Public Service Employees' Union Pension Fund (OPSEU) .....	1,816	1,772	1,749	1,712	1,679
	\$ 32,817	\$ 31,491	\$ 30,249	\$ 28,613	\$ 27,377
<b>Publicly Held Debt</b>					
Debentures and Bonds <sup>(2)</sup> .....	\$ 60,888	\$ 61,939	\$ 68,199	\$ 72,464	\$ 72,552
Treasury Bills .....	1,716	2,071	675	950	3,002
U.S. Commercial Paper <sup>(2)</sup> .....	177	-	-	272	396
	\$ 62,781	\$ 64,010	\$ 68,874	\$ 73,686	\$ 75,950
<b>Total Debt Incurred by the Province for Provincial Purposes</b>	\$ 95,598	\$ 95,501	\$ 99,123	\$ 102,299	\$ 103,327
<b>Debt Incurred by Government Service Organizations</b>					
Non-Public					
Canada Pension Plan .....	\$ 1,402	\$ 1,402	\$ 1,402	\$ 1,402	\$ 1,402
Canada Mortgage and Housing Corporation .....	1,038	1,021	1,002	972	956
Public					
Other .....	18	35	18	18	17
Collateralized Financing <sup>(2)</sup> .....	430	433	437	442	442
<b>Total Debt Incurred by Government Service Organizations for Provincial Purposes</b>	\$ 2,888	\$ 2,891	\$ 2,859	\$ 2,834	\$ 2,817
<b>Other Debt</b>					
Province of Ontario Savings Office .....	\$ 2,220	\$ 2,135	\$ 2,245	\$ 2,517	\$ 2,760
Other Liabilities .....	690	984	1,247	1,524	1,513
Debt issued for investment purposes <sup>(3)</sup> .....	-	-	-	-	8,885
<b>Total Other Debt</b>	\$ 2,910	\$ 3,119	\$ 3,492	\$ 4,041	\$ 13,158
<b>Funded Debt and Trust Liabilities</b>	<b>\$101,396</b>	<b>\$101,511</b>	<b>\$105,474</b>	<b>\$109,174</b>	<b>\$119,302</b>

Source: Ontario Ministry of Finance.

(1) Prepared on the basis of modified accrual and consolidation accounting.

(2) All balances are expressed in Canadian dollars. The balances above reflect the effect of related derivative contracts entered into by the Province.

(3) On April 1, 1999, as a result of the restructuring of Ontario Hydro, the Province assumed \$8,885 in debt from Ontario Power Generation Inc. (\$5,126) and Ontario Hydro Services Corporation Inc. (\$3,759). In exchange, the Province received shares in the two corporations.



**FINANCIAL TABLES**  
**TABLE I(C)**  
**DEBT MATURITY SCHEDULE**  
**Interim 2000<sup>(1)</sup>**

(\$ Millions)

	<b>Debt Incurred by the Province and Government Service Organizations</b>			<b>Ontario Electricity Financial Corporation (OEFC) Purposes<sup>(3)</sup></b>	<b>Total</b>
<b>Year Ending March 31</b>	<b>Publicly Held Debt<sup>(2)</sup></b>	<b>Non-Public Debt</b>	<b>Sub-Total</b>		
2000	117 <sup>(4)</sup>	-	117	-	117
2001	9,867 <sup>(5)</sup>	1,393	11,260	3,945	15,205
2002	6,353	1,519	7,872	500	8,372
2003	9,235	2,375	11,610	-	11,610
2004	4,978	2,518	7,496	350	7,846
2005	6,705	2,224	8,929	2,000	10,929
0 <sup>(4)</sup> -5 years	37,255	10,029	47,284	6,795	54,079
6-10 years	20,005	10,794	30,799	2,248	33,047
11-15 years	303	7,439	7,742	-	7,742
16-20 years	3	1,342	1,345	-	1,345
21-25 years	4,501	125	4,626	-	4,626
26-50 years	14,342	6	14,348	604	14,952
	<b>76,409</b>	<b>29,735</b>	<b>106,144</b>	<b>9,647</b>	<b>115,791</b>

- (1) Prepared on the basis of modified accrual and consolidation accounting.
- (2) All balances are expressed in Canadian dollars. The balances above reflect the effect of related derivative contracts entered into by the Province.
- (3) This debt is offset by bonds of Ontario Electricity Financial Corporation (OEFC) bearing like terms and conditions to the Ontario obligations. Pursuant to the *Ontario Electricity Act, 1998*, OEFC was established as a continuation of Ontario Hydro on April 1, 1999.
- (4) The 1995 series of Ontario Savings Bonds matured on March 1, 2000. The outstanding amount at March 31, 2000, \$117 million, represents bonds not yet presented for redemption.
- (5) Includes \$3,002 million in Treasury Bills and \$396 million in U.S. Commercial Paper.

**FINANCIAL TABLES**  
**TABLE I(D)**  
**SUMMARY OF ONTARIO ELECTRICITY FINANCIAL CORPORATION (OEFC) INTERIM DEBT**

(\$ Millions)

Currency	Canadian Dollar	U.S. Dollar	Swiss Franc	Japanese Yen	31-Mar-00 Total	01-Apr-99 Total
Fiscal Year						
2001	4,785	737	150	-	5,672	4,320
2002	2,000	708	-	-	2,708	2,230
2003	2,848	-	-	-	2,848	2,755
2004	1,748	-	-	65	1,813	3,097
2005	2,000	-	-	-	2,000	1,212
1-5 years	13,381	1,445	150	65	15,041	13,614
6-10 years	5,699	1,088	-	-	6,787	6,330
11-15 years	1,786	1,090	-	-	2,876	3,296
16-20 years	500	-	-	-	500	648
21-25 years	3,133	-	-	-	3,133	3,633
26-50 years	3,001	-	-	-	3,001	2,965
	27,500	3,623	150	65	31,338	30,486

**OEFC Debt Statistics**

As at March 31 (\$ Millions)	1996	1997	1998	1999	Interim 2000	Plan 2001
Debt issued by the Province for OEFC (formerly Ontario Hydro)	3,808	3,140	2,886	4,248	9,647	11,600
Debt guaranteed by the Province	31,590	31,786	30,675	26,238	21,691	19,000
Total OEFC Debt	35,398	34,926	33,561	30,486	31,338	30,600

**FINANCIAL TABLES**  
**TABLE I(E)**  
**DESCRIPTION OF DERIVATIVE FINANCIAL INSTRUMENTS**

The table below presents a preliminary maturity schedule of the Province's derivative financial instruments, by type, outstanding at March 31, 2000, based on the notional amounts of the contracts.

The Province has had sizeable financing requirements, generally to refinance maturing indebtedness and to fund the annual deficit of the Province. To meet these financing requirements in the most cost-effective manner, the Province has issued a variety of debt instruments in domestic and international markets. To take advantage of favourable interest rates, the Province issues debt instruments that are repayable in numerous currencies other than Canadian dollars. The Province employs prudent debt management strategies and operates within strict limits to ensure exposure to risk is well managed. A variety of strategies are used, including the use of derivative financial instruments ("derivatives").

Derivatives are financial contracts, the value of which is derived from underlying assets. The Province uses derivatives for the purpose of hedging and to minimize interest costs. Hedges are created primarily through swaps, which are legal arrangements, the effect of which is that each party agrees to exchange, with another party, cash flows on a notional amount during a specified period in order to offset or effectively convert its existing obligations. Other derivative instruments used by the Province include forward foreign exchange contracts, forward rate agreements, futures and options.

**DERIVATIVE PORTFOLIO NOTIONAL VALUE**  
**as at March 31, 2000**

<b>Maturity in Fiscal Year</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>6-10 Years</b>	<b>Over 10 Years</b>	<b>Interim 2000 Total</b>	<b>1998-99 Total</b>
(\$ Millions)									
Swaps:									
Cross-Currency .....	5,615	6,524	7,988	3,397	4,169	9,487	1,337	38,527	44,180
Interest Rate .....	4,584	5,464	9,463	1,355	3,688	15,040	2,546	42,140	40,136
Forward Foreign Exchange Contracts .....	2,420	918	-	-	-	-	-	3,338	1,498
Forward Rate Agreements	790	-	-	-	-	-	-	790	600
Futures .....	-	-	-	-	-	-	-	-	468
Options (FX & BOND) .....	564	-	-	-	-	-	-	564	290
	13,973	12,906	17,451	4,752	7,857	24,537	3,883	85,359	87,172

**Definitions:**

Notional value:

Swap:

represents the volume of outstanding contracts. It does not represent cash flows. a legal arrangement, the effect of which is that each of the parties (the counterparties) takes responsibility for a financial obligation incurred by the other counterparty. An interest rate swap exchanges floating interest payments for fixed interest payments or vice versa. A cross-currency swap exchanges principal and interest payments in one currency for cash flows in another currency.

Forward foreign exchange contract:

Forward rate agreement (FRA):

an agreement between two parties to set exchange rates in advance.  
an agreement between two parties to set future borrowing/lending rates in advance.

Future:

a contract that confers an obligation to buy/sell a commodity at a specified price and amount on a future date.

Option:

a contract that confers a right but not the obligation to buy/sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a fixed future period.

**TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario  
Interim as at March 31, 2000**

Date of Maturity	Date of Issue	Series	Interest Rate	Original Issue	Outstanding	Reference
			%	\$	\$	
<b>Debt Incurred for Provincial Purposes</b>						
<b>(A) PAYABLE IN CANADA IN CANADIAN DOLLARS</b>						
<b>NON-PUBLIC DEBT</b>						
<b>To Minister of Finance of Canada</b>						
<b>Canada Pension Plan Investment Fund:</b>						
Year ending March 31						
2001	1981	CPP	12.50 to 13.39	537,872,000	537,872,000	
2002	1982	CPP	13.66 to 16.10	768,736,000	768,736,000	
2003	1983	CPP	12.01 to 16.53	1,235,751,000	1,235,751,000	
2004	1984	CPP	10.92 to 12.14	1,200,847,000	1,200,847,000	
2005	1985	CPP	12.08 to 14.06	1,133,182,000	1,133,182,000	
2006	1986	CPP	10.58 to 12.57	1,213,502,000	1,213,502,000	
2007	1987	CPP	9.36 to 10.17	232,269,000	232,269,000	
2008	1988	CPP	10.79	42,300,000	42,300,000	
2012	1992	CPP	9.81 to 10.04	987,249,000	987,249,000	
2013	1993	CPP	9.17 to 9.45	700,137,000	700,137,000	
2019	1999	CPP	5.81 to 5.84	45,270,000	45,270,000	
2020	1999	CPP	5.5 to 6.91	869,889,000	869,889,000	
					<u>8,967,004,000</u>	(5)
<b>To Ontario Teachers' Pension Fund:</b>						
Year ending March 31						
2001	1981-1991	TI	11.05 to 11.10	717,238,319	717,238,319	
2002	1977-1991	TI	9.54 to 10.11	492,524,321	492,524,321	
2003	1978-1991	TI	9.82 to 10.53	655,570,855	655,570,855	
2004	1982-1984	TI	12.88 to 13.34	900,000,000	900,000,000	
2005	1984-1991	TI	12.60 to 13.27	821,000,000	821,000,000	
2006	1985-1991	TI	11.07 to 14.40	1,070,000,000	1,070,000,000	
2007	1985-1991	TI	10.26 to 13.01	1,185,000,000	1,185,000,000	
2008	1983-1991	TI	10.15 to 15.38	1,945,000,000	1,945,000,000	
2009	1986-1991	TI	10.98 to 11.50	1,465,000,000	1,465,000,000	
2010	1986-1991	TI	10.22 to 11.24	1,236,000,000	1,236,000,000	
2011	1987	TI	10.11 to 10.32	560,000,000	560,000,000	
2012	1988-1991	TI	10.68 to 11.24	580,000,000	580,000,000	
2013	1989-1991	TI	11.06 to 11.31	625,000,000	625,000,000	
					<u>12,252,333,495</u>	(1)



TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate	Original Issue	Outstanding	Reference
			%	\$	\$	
<b>To Ontario Municipal Employees Retirement Fund:</b>						
Year ending March 31						
2001	1996	MER	9.10	52,494,948	52,494,948	
2002	1996	MER	7.85	67,500,000	67,500,000	
2003	1996	MER	8.02 to 10.28	235,259,824	235,259,824	
2004	1996	MER	9.45	163,695,000	163,695,000	
2007	1996	MER	9.77	102,675,000	<u>102,675,000</u>	
					<u>621,624,772</u>	(1)(38)
<b>To College of Applied Arts &amp; Technology Pension Plan:</b>						
Year ending March 31						
2001	1996	CAAT	9.10	5,105,052	5,105,052	
2002	1996	CAAT	7.85	7,500,000	7,500,000	
2003	1996	CAAT	8.02 to 10.28	30,540,176	30,540,176	
2004	1996	CAAT	9.45	24,255,000	24,255,000	
2007	1996	CAAT	9.77	18,625,000	<u>18,625,000</u>	
					<u>86,025,228</u>	(1)(38)
<b>To Ryerson Retirement Pension Plan:</b>						
Year ending March 31						
2001	1995	RRPF	13.40	586,257	586,257	
2002	1995	RRPF	16.95	732,095	732,095	
2003	1995	RRPF	14.65	926,036	926,036	
2004	1995	RRPF	12.78	1,081,061	1,081,061	
2005	1995	RRPF	13.33	1,229,597	1,229,597	
2006	1995	RRPF	11.16	1,464,199	1,464,199	
2007	1995	RRPF	9.64	1,618,485	<u>1,618,485</u>	
					<u>7,637,730</u>	(1)

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate	Original Issue	Outstanding	Reference
			%	\$	\$	
<b>To Canada Mortgage and Housing Corporation:</b>						
Year ending March 31						
2000-2003	1971 to 1978	CMHC	5.375	688,415	128,632	
2000-2004	1974 to 1975	CMHC	5.125 to 7.875	1,296,489	337,633	
2000-2005	1971 to 1975	CMHC	5.125 to 8.625	2,754,646	910,719	
2000-2006	1973 to 1976	CMHC	5.125 to 10.375	2,200,837	1,005,637	
2000-2007	1974 to 1977	CMHC	5.375 to 10.375	6,049,712	3,111,119	
2000-2010	1970 to 1975	CMHC	5.75 to 6.875	4,312,601	2,088,375	
2000-2011	1971 to 1976	CMHC	5.375 to 8.25	5,876,136	3,520,638	
2000-2012	1972	CMHC	6.875 to 8.25	7,281,714	4,493,427	
2000-2013	1973	CMHC	7.25 to 8.25	1,252,053	825,499	
2000-2014	1974	CMHC	6.125 to 8.25	19,734,125	13,252,363	
2000-2015	1975	CMHC	7.50 to 10.375	11,488,523	8,152,187	
2000-2016	1976	CMHC	5.375 to 10.75	22,775,312	17,142,256	
2000-2017	1977	CMHC	7.625 to 10.75	15,797,368	12,577,291	
2000-2018	1977 to 1978	CMHC	7.625 to 13.00	38,133,367	31,917,258	
2000-2019	1977 to 1980	CMHC	7.625 to 15.25	41,958,001	36,060,576	
2000-2020	1978 to 1980	CMHC	7.625 to 15.75	65,976,661	57,495,055	
2000-2021	1981	CMHC	9.50 to 15.75	30,946,135	27,507,047	
2000-2022	1982	CMHC	9.75 to 15.75	1,177,064	1,079,591	
					<u>221,605,303</u>	(7)
<b>To Canada Mortgage and Housing Corporation (CMHC) Section 40 Debt:</b>						
2002	1982	CMHC	7.099	36,967,243	6,399,310	
					<u>6,399,310</u>	(7)
<b>Total to Canada Mortgage and Housing Corporation</b>					<u>228,004,615</u>	(2)
<b>To Public Service Pension Fund:</b>						
Year ending March 31						
2001	1997	OPB	10.04 to 11.61	75,635,207	37,817,604	
2002	1997	OPB	10.10 to 13.48	101,778,265	101,778,265	
2003	1997	OPB	9.81 to 17.11	128,554,996	128,554,996	
2004	1997	OPB	9.50 to 14.81	134,530,331	134,530,331	
2005	1997	OPB	9.82 to 12.89	160,431,479	160,431,479	
2006	1997	OPB	11.05 to 13.48	172,212,515	172,212,515	
2007	1997	OPB	11.16 to 13.47	188,766,466	188,766,466	
2008	1997	OPB	15.38 to 15.51	218,362,903	218,362,903	
2009	1997	OPB	12.79 to 12.89	264,512,886	264,512,886	
2010	1997	OPB	12.88 to 13.02	273,669,452	273,669,452	
2011	1997	OPB	13.33 to 13.48	282,994,558	282,994,558	
2012	1997	OPB	11.55 to 11.67	336,229,108	336,229,108	
2013	1997	OPB	10.38 to 10.40	374,479,804	374,479,804	
2014	1997	OPB	11.10 to 11.19	409,677,031	409,677,031	
2015	1997	OPB	11.19 to 11.31	450,938,707	450,938,707	
					<u>3,534,956,105</u>	(1)(23)(65)

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate	Original Issue	Outstanding	Reference
			%	\$	\$	
<b>To Public Service Employees' Union Pension Fund:</b>						
Year ending March 31						
2001	1997	OPPT	10.04 to 11.61	35,930,854	17,965,427	
2002	1997	OPPT	10.10 to 13.48	48,350,235	48,350,235	
2003	1997	OPPT	9.81 to 17.11	61,070,644	61,070,644	
2004	1997	OPPT	9.50 to 14.81	63,909,254	63,909,254	
2005	1997	OPPT	9.82 to 12.89	76,213,714	76,213,714	
2006	1997	OPPT	11.05 to 13.48	81,810,350	81,810,350	
2007	1997	OPPT	11.16 to 13.47	89,674,381	89,674,381	
2008	1997	OPPT	15.38 to 15.51	103,734,305	103,734,305	
2009	1997	OPPT	12.79 to 12.89	125,658,067	125,658,067	
2010	1997	OPPT	12.88 to 13.02	130,007,936	130,007,936	
2011	1997	OPPT	13.33 to 13.48	134,437,870	134,437,870	
2012	1997	OPPT	11.55 to 11.67	159,727,189	159,727,189	
2013	1997	OPPT	10.38 to 10.40	177,898,359	177,898,359	
2014	1997	OPPT	11.10 to 11.19	194,618,964	194,618,964	
2015	1997	OPPT	11.19 to 11.31	214,220,513	214,220,513	
					<u>1,679,297,208</u>	(1)(23)(65)
<b>TOTAL NON- PUBLIC DEBT INCURRED</b>					<u><b>27,376,883,153</b></u>	

**(A) PAYABLE IN CANADA IN CANADIAN DOLLARS****PUBLICLY HELD DEBT**

Jan. 10, 2001	Jan. 10, 1991	GH	10.875	1,050,000,000	1,050,000,000	(1)
Dec. 12, 2001	Aug. 12, 1991	GS	10.50	600,000,000	600,000,000	(1)
Apr. 22, 2003	Dec. 29, 1992	HG	8.75	750,000,000	750,000,000	(1)
Jul. 13, 2003	Jan. 13, 2000	NB	Floating	100,000,000	100,000,000	(8)
Sept. 16, 2003	Sept. 16, 1998	MA	Floating	100,000,000	100,000,000	(1)(73)
June 2, 2004	Feb. 08, 2000	MG	4.875	100,000,000	100,000,000	(1)
June 30, 2004	May 21, 1999	MM	5.40	100,000,000	100,000,000	(28)
July 14, 2004	July 14, 1999	MQ	6.15	60,000,000	60,000,000	(31)
Sept. 15, 2004	June 21, 1994	HU	9.00	1,450,000,000	1,450,000,000	(1)
Dec. 02, 2004	Oct. 28, 1999	MV	6.40	107,000,000	107,000,000	(34)
Mar. 08, 2005	Dec. 10, 1999	MZ	6.25	500,000,000	500,000,000	(1)
May 13, 2005	May 13, 1999	ML	5.85	50,000,000	50,000,000	(44)
Oct. 12, 2005	Oct. 12, 1995	JR	8.95	65,000,000	65,000,000	(45)
Dec. 1, 2005	Sept. 13, 1995	JP	8.25	1,000,000,000	1,000,000,000	(1)
Feb. 1, 2006	Feb. 1, 1999	MJ	5.00	90,000,000	90,000,000	(1)
Feb. 20, 2006	Feb. 20, 1996	JZ	0.00-17.25	107,000,000	107,000,000	(1)(40)
July 24, 2006	July 24, 1996	KE	7.75	600,000,000	600,000,000	(1)
Jan. 12, 2007	Jan. 12, 1995	JF	9.50	200,000,000	200,000,000	(1)(21)

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate	Original Issue	Outstanding	Reference
			%	\$	\$	
<b>PUBLICLY HELD DEBT - Continued</b>						
June 27, 2007	June 27, 1997	LB	7.20	100,000,000	100,000,000	(68)
Sept. 12, 2007	Sept. 12, 1997	LE	6.125	1,000,000,000	985,000,000	(1)(98)
Dec. 10, 2007	Dec. 10, 1997	LH	5.875	125,000,000	125,000,000	(1)(81)
June 3, 2008	May 28, 1999	MN	4.82	50,000,000	50,000,000	(46)
Jul. 15, 2008	Feb. 6, 1998	LM	5.50	75,000,000	75,000,000	(70)
Sept. 4, 2008	Sept. 4, 1998	LW	6.30	50,000,000	50,000,000	(86)
Oct. 19, 2008	Aug. 19, 1999	MS	4.868	50,000,000	50,000,000	(58)
Dec. 1, 2008	Nov. 24, 1998	LZ	5.70	1,500,000,000	1,500,000,000	(1)(96)
Dec. 19, 2008	June 28, 1999	MP	5.75-6.0	50,000,000	50,000,000	(60)
Apr. 1, 2009	Apr. 9, 1998	LR	6.15	205,000,000	205,000,000	(87)
July 27, 2009	July 27, 1999	MR	4.82	40,000,000	40,000,000	(25)
Sept. 4, 2009	Sept. 4, 1997	LD	6.00-7.625	75,000,000	75,000,000	(71)
Oct. 10, 2009	Oct. 10, 1997	LG	5.875-7.00	50,000,000	50,000,000	(72)
Nov. 13, 2009	Nov. 13, 1998	MD	5.40-6.10	47,000,000	47,000,000	(88)
Nov. 19, 2009	Nov. 16, 1999	MU	6.20	500,000,000	500,000,000	(1)
Mar. 2, 2010	Mar. 2, 1998	LP	6.15	60,000,000	60,000,000	(82)
Sep. 22, 2011	Sep. 22, 1999	MT	6.10-7.125	40,000,000	40,000,000	(49)
Sept. 4, 2020	Sept. 4, 1998	LY	6.30	50,000,000	50,000,000	(89)
July 13, 2022	July 13, 1992	HC	9.50	1,850,000,000	1,850,000,000	(1)
Sept. 8, 2023	Sept. 8, 1993	HP	8.10	1,350,000,000	1,350,000,000	(1)
June 2, 2025	Dec. 20, 1994	JE	9.50	500,000,000	500,000,000	(1)
Dec. 2, 2025	Oct. 5, 1995	JQ	8.50	1,000,000,000	1,000,000,000	(1)
Feb. 6, 2026	Feb. 6, 1996	JY	8.00	50,000,000	12,500,000	(1)(93)
June 2, 2026	Dec. 21, 1995	JU	8.00	1,000,000,000	1,000,000,000	(1)
Dec. 2, 2026	Dec. 2, 1996	KL	4.35-7.04	162,000,000	26,000,000	(48)
Dec. 2, 2026	Feb. 13, 1997	KR	8.00	425,000,000	425,000,000	(1)
Dec. 2, 2026	Jan. 20, 1999	MH	7.00	124,584,000	124,584,000	(1)(90)
Feb. 3, 2027	Aug. 3, 1997	KN	7.50	300,000,000	81,011,000	(74)
Feb. 3, 2027	Aug. 3, 1997	KT	6.95	200,000,000	40,295,000	(75)
Feb. 3, 2027	Apr. 7, 1997	KY	7.50	68,000,000	19,549,000	(1)
Feb. 3, 2027	Dec. 4, 1998	LA	7.50	50,000,000	50,000,000	(1)
Feb. 4, 2027	Feb. 4, 1998	KQ	7.375	125,000,000	990,000	(76)
June 2, 2027	Oct. 17, 1996	KJ	7.60	4,117,200,000	4,117,200,000	(1)(77)
Aug. 25, 2028	Feb. 25, 1998	LQ	6.25	645,243,000	645,243,000	(1)
Mar. 8, 2029	Jan. 8, 1998	LK	6.50	4,000,000,000	4,000,000,000	(1)
Jan. 13, 2031	Sept. 8, 1995	JN	9.50	125,000,000	125,000,000	(1)
June 2, 2031	Mar. 22, 2000	NF	6.20	500,000,000	500,000,000	(1)
Nov. 3, 2034	Nov. 3, 1994	HY	9.75	280,000,000	280,000,000	(1)
Jan. 10, 1995 to						
Jan. 10, 2035	Nov. 30, 1994	HZ	9.4688	189,616,626	74,476,154	(1)(24)
"	"	JA	9.4688	24,766,559	24,766,559	(1)(24)
"	"	JB	9.4688	8,482,324	8,482,324	(1)(24)
"	"	JC	9.4688	4,764,354	4,764,354	(1)(24)
"	"	JD	9.4688	3,171,134	3,171,134	(1)(24)



TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest	Original Issue	Outstanding	Reference
			%	\$	\$	
Feb. 8, 2035	Feb. 8, 1995	JJ	9.875	73,000,000	73,000,000	(19)
June 20, 2036	June 20, 1996	KC	8.25	211,000,000	211,000,000	(1)
June 20, 2038	Sept. 16, 1996	KG	8.10	120,000,000	120,000,000	(1)
July 13, 2038	July 29, 1998	LS	5.75	50,000,000	50,000,000	(1)
Aug. 25, 2038	Aug. 17, 1998	LT	6.00	100,000,000	100,000,000	(91)
July 13, 2039	Feb. 2, 1999	MK	5.65	250,000,000	250,000,000	(1)(37)
Dec. 02, 2039	Feb. 25, 2000	NE	5.70	100,000,000	100,000,000	(1)(94)
Jan. 10, 2045	May 25, 1995	JL	8.39	35,531,176	35,531,176	(1)(41)
Mar. 1, 2045	Mar. 1, 1995	JK	9.50	150,000,000	150,000,000	(20)
					<u>28,433,563,701</u>	
<b>ONTARIO SAVINGS BONDS</b>						
March 1, 2000	March 1, 1995	Annual	Variable	789,297,500	51,383,600	(29)
March 1, 2000	March 1, 1995	Compound	Variable	817,902,500	65,125,500	(29)
June 21, 2000	June 21, 1997	Annual	Fixed	281,498,800	287,365,200	(6)(30)(62)
June 21, 2000	June 21, 1997	Compound	Fixed	168,756,600	160,093,600	(30)(62)
June 21, 2001	June 21, 1996	Annual	Step-Up	279,338,000	273,512,800	(62)(63)
June 21, 2001	June 21, 1996	Compound	Step-Up	337,518,000	297,703,600	(62)(63)
June 21, 2001	June 21, 1996	Annual	Variable	219,990,000	44,853,100	(62)(64)
June 21, 2001	June 21, 1996	Compound	Variable	194,579,100	49,837,900	(62)(64)
June 21, 2001	June 21, 1998	Annual	Fixed	101,725,500	103,999,800	(6)(30)(62)
June 21, 2001	June 21, 1998	Compound	Fixed	78,706,000	75,892,400	(30)(62)
June 21, 2002	June 21, 1999	Annual	Fixed	160,184,700	161,200,000	(6)(30)(62)
June 21, 2002	June 21, 1999	Compound	Fixed	148,829,300	147,566,200	(30)(62)
June 21, 2003	June 21, 1998	Annual	Step-Up	439,199,300	375,496,700	(62)(92)
June 21, 2003	June 21, 1998	Compound	Step-Up	404,053,600	341,729,400	(62)(92)
June 21, 2004	June 21, 1997	Annual	Step-Up	447,763,300	448,230,600	(6)(62)(66)
June 21, 2004	June 21, 1997	Compound	Step-Up	451,525,200	386,502,100	(62)(66)
June 21, 2004	June 21, 1997	Annual	Variable	107,533,500	29,233,600	(62)(67)
June 21, 2004	June 21, 1997	Compound	Variable	80,484,400	21,664,900	(62)(67)
June 21, 2004	June 21, 1999	Annual	Step-up	350,043,000	282,754,300	(62)(97)
June 21, 2004	June 21, 1999	Compound	Step-up	386,322,100	313,666,200	(62)(97)
June 21, 2005	June 21, 1998	Annual	Variable	495,453,600	243,186,400	(62)(81)
June 21, 2005	June 21, 1998	Compound	Variable	435,985,400	215,568,800	(62)(81)
June 21, 2006	June 21, 1999	Annual	Variable	556,662,200	346,094,900	(62)(81)
June 21, 2006	June 21, 1999	Compound	Variable	447,350,800	303,336,400	(62)(81)
					<u>5,025,998,000</u>	(1)

TOTAL PAYABLE IN CANADIAN DOLLARS ..... 33,459,561,701\*

\* Excludes Ontario Treasury Bills of \$3,002,000,000.

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest	Original Issue	Outstanding	Reference
			%	\$	\$	
<b>(B) GLOBAL MARKET PAYABLE IN CANADIAN DOLLARS</b>						
Mar. 11, 2003	Mar. 11, 1993	HK	8.00	1,500,000,000	1,500,000,000	
Dec. 8, 2003	July 20, 1993	HM	7.75	1,250,000,000	1,250,000,000	
Jan. 24, 2005	Jan. 24, 2000	NC	Floating	500,000,000	500,000,000	(50)
Jan. 19, 2006	Jan. 19, 1996	JV	7.50	1,250,000,000	1,240,000,000	(98)
Feb. 7, 2024	Feb. 7, 1994	HS	7.50	1,250,000,000	<u>1,250,000,000</u>	
TOTAL PAYABLE IN CANADIAN DOLLARS .....					<u>5,740,000,000</u>	(1)
<b>(C) PAYABLE IN EUROPE IN CANADIAN DOLLARS</b>						
Apr. 5, 2001	Feb. 22, 1996	JW	6.23	510,125,000	510,125,000	(42)
Oct. 29, 2001	Oct. 29, 1991	GX	9.75	750,000,000	750,000,000	
Nov. 6, 2001	Nov. 6, 1998	MC	5.00	100,000,000	100,000,000	
Nov. 27, 2003	Nov. 27, 1998	ME	5.00	250,000,000	250,000,000	
Sept. 27, 2005	Sept. 27, 1993	HQ	7.25	500,000,000	500,000,000	
Dec. 01, 2005	Dec. 01, 1999	EMTN045	6.50	250,000,000	250,000,000	
Jan. 27, 2009	Jan. 27, 1999	EMTN042	5.00	250,000,000	250,000,000	
July 13, 2034	July 13, 1994	EMTN005	9.40	300,000,000	<u>300,000,000</u>	
TOTAL PAYABLE IN EUROPE IN CANADIAN DOLLARS .....					<u>2,910,125,000</u>	(1)
<b>(D) PAYABLE IN UNITED STATES IN CANADIAN DOLLARS</b>						
Feb. 18, 2013	Feb. 18, 1993	HJ	9.24	250,000,000	<u>250,000,000</u>	
TOTAL PAYABLE IN UNITED STATES IN CANADIAN DOLLARS .....					<u>250,000,000</u>	(1)
<b>(E) PAYABLE IN THE UNITED STATES IN U.S. DOLLARS</b>						
Oct. 17, 2001	Oct. 17, 1991	GY	8.00	750,000,000	<u>750,000,000</u>	
TOTAL PAYABLE IN UNITED STATES IN U.S. DOLLARS .....					<u>750,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.18125 .....					<u>885,937,495</u>	(10)
<b>(F) GLOBAL MARKET PAYABLE IN U.S. DOLLARS</b>						
June 28, 2000	June 28, 1993	HL	6.125	2,000,000,000	2,000,000,000	
June 4, 2002	June 4, 1992	HB	7.75	2,000,000,000	2,000,000,000	
Jan. 27, 2003	Jan. 27, 1993	HH	7.375	3,000,000,000	3,000,000,000	
June 22, 2004	June 22, 1994	HV	7.625	1,000,000,000	1,000,000,000	
Aug. 4, 2005	Aug. 4, 1995	JM	7.00	1,000,000,000	1,000,000,000	
Feb. 21, 2006	Feb. 21, 1996	KA	6.00	1,500,000,000	1,500,000,000	
Oct. 1, 2006	Oct. 1, 1998	MB	5.50	1,000,000,000	<u>1,000,000,000</u>	
TOTAL PAYABLE IN U.S. DOLLARS .....					<u>11,500,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.31803 .....					<u>15,157,357,500</u>	(43)

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest	Original Issue	Outstanding	Reference
			%	\$	\$	
<b>(G) PAYABLE IN CANADA IN U.S. DOLLARS</b>						
Apr. 24, 2005	Apr. 24, 1995	DMTN1	Floating	100,000,000	100,000,000	
May 1, 2005	May 1, 1995	DMTN2	Floating	100,000,000	100,000,000	
May 9, 2005	May 9, 1995	DMTN3	Floating	100,000,000	100,000,000	
May 16, 2005	May 16, 1995	DMTN4	Floating	100,000,000	<u>100,000,000</u>	
TOTAL PAYABLE IN CANADA IN U.S. DOLLARS .....					<u>400,000,000</u>	(35)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.36625 .....					<u>546,500,000</u>	(9)
<b>(H) PAYABLE IN EUROPE IN U.S. DOLLARS</b>						
Nov. 7, 2000	Nov. 7, 1995	EMTN018	5.75	200,000,000	200,000,000	
Feb. 28, 2001	Feb. 28, 1991	GL	8.50	600,000,000	<u>600,000,000</u>	
TOTAL PAYABLE IN EUROPE IN U.S. DOLLARS .....					<u>800,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.20334 .....					<u>962,672,278</u>	(11)
<b>(I) PAYABLE IN JAPAN IN U.S. DOLLARS</b>						
July 17, 2001	July 17, 1997	LC	3.25	285,714,000	<u>285,714,000</u>	(78)
TOTAL PAYABLE IN JAPAN IN U.S. DOLLARS .....					<u>285,714,000</u>	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.25980 .....					<u>359,942,263</u>	(85)
<b>(J) PAYABLE IN JAPAN IN JAPANESE YEN</b>						
Jan. 28, 2003	Jan. 28, 1993	YL001	5.50	10,000,000,000	10,000,000,000	(1)
Mar. 24, 2003	Mar. 22, 1993	YL002	4.80	7,000,000,000	7,000,000,000	(1)
Aug. 25, 2003	Aug. 25, 1993	YL003	Floating	10,000,000,000	10,000,000,000	(1)(4)
Sept. 22, 2003	Sept. 22, 1993	YL004	5.20	10,000,000,000	10,000,000,000	(1)
July 6, 2004	July 6, 1994	YL005	4.40	10,000,000,000	10,000,000,000	(1)
July 21, 2004	July 21, 1994	YL006	4.53	10,000,000,000	10,000,000,000	(1)
July 28, 2004	July 27, 1994	YL007	4.55	7,000,000,000	7,000,000,000	(22)
Sept. 8, 2004	Sept. 7, 1994	YL008	4.71	7,000,000,000	7,000,000,000	(1)
Oct. 25, 2004	Oct. 25, 1994	YL009	5.00	10,000,000,000	10,000,000,000	(1)
Dec. 20, 2004	Dec. 20, 1994	YL010	4.80	5,000,000,000	5,000,000,000	(1)
Aug. 31, 2005	Aug. 31, 1995	YL011	3.10	25,000,000,000	25,000,000,000	(1)
Mar. 16, 2007	Mar. 18, 1997	KU	3.10	5,000,000,000	5,000,000,000	(1)(54)
Mar. 16, 2007	Mar. 18, 1997	KV	3.25	15,000,000,000	15,000,000,000	(1)(55)
July 18, 2007	July 18, 1997	YL012	2.615	10,000,000,000	10,000,000,000	(1)
Aug. 31, 2008	Aug. 28, 1998	YL013	2.06	10,000,000,000	10,000,000,000	(1)(39)
Nov. 12, 2009	Nov. 12, 1999	YL014	2.00	10,000,000,000	<u>10,000,000,000</u>	(1)
TOTAL PAYABLE IN JAPAN IN JAPANESE YEN .....					<u>161,000,000,000</u>	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$0.01314 .....					<u>2,115,363,386</u>	(14)



TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest	Original Issue	Outstanding	Reference
			%	\$	\$	
<b>(K) GLOBAL MARKET PAYABLE IN JAPANESE YEN</b>						
Jan. 25, 2010	Jan. 13, 2000	ND	1.875	25,000,000,000	<u>25,000,000,000</u>	(39)
TOTAL PAYABLE IN JAPAN IN JAPANESE YEN .....					<u>25,000,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$0.01416 .....					<u>354,000,000</u>	
<b>(L) PAYABLE IN EUROPE IN JAPANESE YEN</b>						
July 5, 2000	July 5, 1996	EMTN019	2.05	5,000,000,000	5,000,000,000	
Sept. 19, 2000	Sept. 19, 1996	EMTN023	Floating	5,000,000,000	5,000,000,000	(56)
Sept. 26, 2000	Sept. 26, 1996	EMTN024	Floating	5,000,000,000	5,000,000,000	(56)
June 20, 2001	July 11, 1994	HW	4.40	100,000,000,000	100,000,000,000	
July 12, 2001	July 12, 1994	EMTN006	3.90	5,000,000,000	5,000,000,000	(32)
Nov. 10, 2001	Nov. 10, 1994	EMTN012	4.75	3,000,000,000	3,000,000,000	
Mar. 15, 2005	Mar. 15, 1995	EMTN015	6.00	2,000,000,000	2,000,000,000	(33)
Sept. 8, 2005	Mar. 23, 1998	EMTN037	6.21	10,000,000,000	10,000,000,000	
Sept. 19, 2005	Sept. 4, 1998	EMTN038	6.205	10,000,000,000	10,000,000,000	
Aug. 29, 2006	Aug. 29, 1996	EMTN021	4.28	10,000,000,000	10,000,000,000	(57)
Mar. 26, 2007	Apr. 3, 1997	EMTN033	3.20	10,000,000,000	10,000,000,000	(47)
June 13, 2007	June 13, 1997	EMTN034	3.58	10,000,000,000	10,000,000,000	(79)
Feb. 25, 2008	Feb. 25, 1998	EMTN036	2.60	7,100,000,000	7,100,000,000	(80)
July 16, 2009	July 16, 1999	EMTM044	2.221	5,000,000,000	5,000,000,000	
Nov. 19, 2009	Nov. 24, 1999	EMTN046	2.00	10,000,000,000	<u>10,000,000,000</u>	
TOTAL PAYABLE IN EUROPE IN JAPANESE YEN .....					<u>197,100,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$0.01500 .....					<u>2,956,985,913</u>	(15)
<b>(M) PAYABLE IN EUROPE IN AUSTRALIAN DOLLARS</b>						
Oct. 15, 2001	Oct. 15, 1996	EMTN025	5.00	125,000,000	<u>125,000,000</u>	
TOTAL PAYABLE IN EUROPE IN AUSTRALIAN DOLLARS .....					<u>125,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.09189 .....					<u>136,486,250</u>	(18)
<b>(N) PAYABLE IN EUROPE IN DEUTSCHE MARKS</b>						
Feb. 15, 2001	Feb. 15, 1996	JX	5.00	500,000,000	500,000,000	
Jan. 13, 2004	Jan. 13, 1994	HR	6.25	1,500,000,000	<u>1,439,150,000</u>	(3)
TOTAL PAYABLE IN EUROPE IN DEUTSCHE MARKS .....					<u>1,939,150,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$0.89250 .....					<u>1,716,029,291</u>	(16)



TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of	Date of Issue	Series	Interest	Original Issue	Outstanding	Reference
			%	\$	\$	
<b>(O) PAYABLE IN EUROPE IN EUROS</b>						
Feb. 17, 2006	Feb. 17, 1999	EMTN043	3.50	27,000,000	<u>27,000,000</u>	(1)
TOTAL PAYABLE IN EUROPE IN EUROS .....					<u>27,000,000</u>	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.6890 .....					<u>45,603,000</u>	(27)
<b>(P) PAYABLE IN EUROPE IN FRENCH FRANCS</b>						
July 29, 2008	July 29, 1996	KD	6.875	3,000,000,000	3,000,000,000	
July 21, 2009	July 21, 1997	EMTN035	5.875	3,000,000,000	<u>3,000,000,000</u>	
TOTAL PAYABLE IN EUROPE IN FRENCH FRANCS .....					<u>6,000,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$0.28491 .....					<u>1,709,459,932</u>	(53)
<b>(Q) PAYABLE IN EUROPE IN GREEK DRACHMA</b>						
June 19, 2001	June 19, 1998	EMTN040	Floating	10,000,000,000	<u>10,000,000,000</u>	(36)
TOTAL PAYABLE IN EUROPE IN GREEK DRACHMA .....					<u>10,000,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$0.004903 .....					<u>49,031,053</u>	(59)
<b>(R) PAYABLE IN EUROPE IN NETHERLANDS GUILDERS</b>						
Sept. 27, 2004	Sept. 27, 1994	HX	7.75	500,000,000	<u>400,000,000</u>	(26)
TOTAL PAYABLE IN EUROPE IN NETHERLAND GUILDERS .....					<u>400,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$0.77542 .....					<u>310,168,000</u>	(17)
<b>(S) GLOBAL MARKET PAYABLE IN NEW ZEALAND DOLLARS</b>						
Dec. 3, 2008	Dec. 3, 1998	MF	6.25	250,000,000	<u>250,000,000</u>	
TOTAL PAYABLE IN NEW ZEALAND DOLLARS .....					<u>250,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$0.82770 .....					<u>206,925,000</u>	(69)
<b>(T) PAYABLE IN EUROPE IN NORWEGIAN KRONER</b>						
Dec. 29, 2004	Sept. 13, 1996	EMTN022	7.00	300,000,000	<u>300,000,000</u>	
TOTAL PAYABLE IN EUROPE IN NORWEGIAN KRONER .....					<u>300,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$0.21235 .....					<u>63,704,048</u>	(61)

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of	Date of Issue	Series	Interest	Original Issue	Outstanding	Reference
			%	\$	\$	
<b>(U) PAYABLE IN EUROPE IN POUNDS STERLING</b>						
Sept. 15, 2000	Sept. 15, 1993	HN	6.875	255,000,000	255,000,000	
Feb. 14, 2001	Feb. 14, 1991	GK	11.125	100,000,000	100,000,000	
July 30, 2002	July 30, 1992	HD	9.375	200,000,000	200,000,000	
June 10, 2004	June 10, 1998	EMTN039	6.375	200,000,000	<u>200,000,000</u>	
TOTAL PAYABLE IN EUROPE IN POUNDS STERLING .....					<u>755,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$2.18238 .....					<u>1,647,700,000</u>	(12)
<b>(V) PAYABLE IN EUROPE IN SWISS FRANCS</b>						
June 29, 2001	Mar. 29, 1996	KB	4.00	250,000,000	250,000,000	
Jan. 27, 2003	Jan. 27, 1993	HF	6.25	400,000,000	400,000,000	
July 7, 2003	July 7, 1998	EMTN041	2.50	250,000,000	<u>250,000,000</u>	
TOTAL PAYABLE IN EUROPE IN SWISS FRANCS .....					<u>900,000,000</u>	(1)
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.07645 .....					<u>968,804,139</u>	(13)
<b>TREASURY BILLS .....</b>					<u>3,002,000,000</u>	(84)
<b>U.S. COMMERCIAL PAPER (in U.S. Dollars) .....</b>					<u>268,000,000</u>	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.47625 .....					<u>395,636,205</u>	(91)
<b>TOTAL PUBLICLY HELD DEBT INCURRED BY THE PROVINCE FOR PROVINCIAL PURPOSES .....</b>					<u>75,949,992,454</u>	
<b>TOTAL DEBT INCURRED BY THE PROVINCE FOR PROVINCIAL PURPOSES .....</b>					<u>103,326,875,607</u>	

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate	Original Issue	Outstanding	Reference
			%	\$	\$	
<b>DEBT INCURRED BY GOVERNMENT SERVICE ORGANIZATIONS</b>						
<b>(A) PAYABLE IN CANADA IN CANADIAN DOLLARS</b>						
<b>NON-PUBLIC DEBT</b>						
<b>To Minister of Finance of Canada</b>						
<b>Canada Pension Plan Investment Fund:</b>						
Year ending March 31						
2009	1989	CPP	9.15 to 10.31	310,439,000	310,439,000	
2010	1990	CPP	9.78 to 11.33	925,157,000	925,157,000	
2011	1991	CPP	9.81 to 10.04	91,630,000	91,630,000	
2012	1992	CPP	9.00 to 9.45	75,135,000	75,135,000	
					<u>1,402,361,000</u>	(5)
<b>To Canada Mortgage and Housing Corporation:</b>						
Year ending March 31						
2003	N/A	CMHC	5.125 to 7.98		9,434	
2004	N/A	CMHC	5.2068 to 7.98		37,371	
2005	N/A	CMHC	5.125 to 7.98		29,751	
2006	N/A	CMHC	4.25 to 7.98		77,589	
2007	N/A	CMHC	4.6739 to 7.98		332,466	
2008	N/A	CMHC	5.875 to 7.98		244,329	
2009	N/A	CMHC	5.375 to 7.98		193,077	
2010	N/A	CMHC	6.4598 to 7.98		941,260	
2011	N/A	CMHC	6.4159 to 7.98		8,338,924	
2012	N/A	CMHC	5.2994 to 7.98		424,325	
2013	N/A	CMHC	5.375 to 7.98		6,229,101	
2014	N/A	CMHC	5.6206 to 7.98		18,662,371	
2015	N/A	CMHC	5.822 to 7.98		17,039,434	
2016	N/A	CMHC	6.1388 to 7.98		45,872,200	
2017	N/A	CMHC	6.2491 to 7.98		70,784,246	
2018	N/A	CMHC	7.1327 to 7.98		57,869,185	
2019	N/A	CMHC	5.875 to 7.98		61,936,259	
2020	N/A	CMHC	6.25 to 7.98		198,326,379	
2021	N/A	CMHC	5.75 to 7.98		106,539,027	
2022	N/A	CMHC	6.089 to 8.25		105,091,725	
2023	N/A	CMHC	6.089 to 7.98		80,559,428	
2024	N/A	CMHC	6.089 to 7.98		69,346,134	
2025	N/A	CMHC	6.089 to 7.98		55,296,275	
2026	N/A	CMHC	6.089 to 7.98		24,257,547	
2027	N/A	CMHC	6.089		23,538,784	
2028	N/A	CMHC	6.089		<u>3,564,444</u>	
					<u>955,541,062</u>	(7)

TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate	Original Issue	Outstanding	Reference
			%	\$	\$	
<b>(A) PAYABLE IN CANADA IN CANADIAN DOLLARS</b>						
<b>PUBLICLY HELD DEBT</b>						
2000 to 2002	N/A	Various Mortgages	Various		<u>16,835,733</u>	
<b>(B) PAYABLE IN THE UNITED STATES IN U.S. DOLLARS</b>						
July 1, 2006	Mar. 31, 1994	Collateralized financing	7.261 to 7.395	311,866,966	<u>317,091,985</u>	
TOTAL PAYABLE IN UNITED STATES IN U.S. DOLLARS .....					<u>317,091,985</u>	
CANADIAN DOLLAR EQUIVALENT						
EXCHANGE RATE OF \$1.39392 .....					<u>442,003,950</u>	
<b>TOTAL DEBT INCURRED BY GOVERNMENT SERVICE</b>						
ORGANIZATIONS FOR PROVINCIAL PURPOSES .....					<u>2,816,741,745</u>	
<b>DEBT INCURRED BY THE PROVINCE AND GOVERNMENT SERVICE ORGANIZATIONS. .</b>					<u><u>106,143,617,352</u></u>	(83)
<b>OTHER DEBT</b>						
PROVINCE OF ONTARIO SAVINGS OFFICE .....					2,759,830,874	
OTHER LIABILITIES .....					1,513,285,966	
DEBT ISSUED FOR INVESTMENT PURPOSES .....					<u>8,885,000,000</u>	
<b>TOTAL OTHER DEBT. ....</b>					<u><u>13,158,116,840</u></u>	



TABLE II Schedule of Outstanding Debt Incurred by the Province of Ontario - Continued

Date of Maturity	Date of Issue	Series	Interest Rate	Original Issue	Outstanding	Reference
			%	\$	\$	
<b>Debt Incurred for Ontario Electricity Financial Corporation (OEFC)*</b>						
<b>(A) PAYABLE IN CANADA IN CANADIAN DOLLARS</b>						
<b>NON-PUBLIC DEBT</b>						
<b>Canada Pension Plan Investment Fund</b>						
2001	1981	CPP	11.61 to 13.46	500,000,000	500,000,000	
2002	1982	CPP	14.81 to 17.51	500,000,000	500,000,000	
2007	1987	CPP	9.64	119,000,000	119,000,000	
2008	1988	CPP	9.13 to 9.72	302,278,000	302,278,000	
2009	1989	CPP	9.62 to 10.31	675,756,000	675,756,000	
2010	1990	CPP	9.61 to 10.31	650,712,000	<u>650,712,000</u>	
TOTAL PAYABLE IN CANADA IN CANADIAN DOLLARS .....					<u>2,747,746,000</u>	(5)
<b>(B) PAYABLE IN CANADA IN CANADIAN DOLLARS</b>						
<b>PUBLICLY HELD DEBT</b>						
Nov. 27, 2003	Jun. 17, 1999	HC-ME	5.00	350,000,000	350,000,000	
June 2, 2004	Dec. 9, 1998	HC-MG	4.875	2,000,000,000	2,000,000,000	(52)
Aug. 25, 2008	Apr. 13, 1999	HC-LQ	6.25	78,600,000	78,600,000	
Dec. 1, 2008	Jan. 22, 1999	HC-LZ	5.70	500,000,000	500,000,000	
June 2, 2027	Feb. 11, 2000	HC-KJA	7.60	25,500,000	25,500,000	
June 2, 2031	Feb. 24, 2000	HC-NF	6.20	500,000,000	<u>500,000,000</u>	(51)
					<u>3,454,100,000</u>	
<b>TREASURY BILLS</b> .....					2,661,000,000	
<b>US COMMERCIAL PAPER (in U.S. Dollars)</b> .....					<u>507,500,000</u>	
<b>CANADIAN DOLLAR EQUIVALENT</b>						
EXCHANGE RATE OF \$1.4535 .....					<u>737,651,250</u>	
<b>TERM LOAN FROM THE PROVINCE TO OEFC</b> .....					<u>47,000,000</u>	
<b>TOTAL DEBT INCURRED FOR ONTARIO ELECTRICITY FINANCIAL CORPORATION (OEFC)</b>						
(INCLUDED IN TABLE I(C) DEBT MATURITY SCHEDULE) .....						<u>9,647,497,250</u>

\* This debt is offset by bonds of Ontario Electricity Financial Corporation (OEFC) bearing like terms and conditions to the Ontario obligations. Pursuant to the *Ontario Electricity Act, 1998*, OEFC was established as a continuation of Ontario Hydro on April 1, 1999.

## References:

1. Non-callable.
2. Liability to Canada Mortgage and Housing Corporation assumed by the Ministry of Finance upon the dissolution of Ontario Land Corporation.
3. On October 13, 1999 the Province purchased for cancellation \$60.85 million of the HR Series bonds.
4. Interest payable is six-month Yen LIBOR.
5. Securities sold to the Canada Pension Plan Investment Fund are payable 20 years after their respective dates of issue, are not negotiable and not transferable or assignable but are redeemable in whole or in part before maturity at the option of the Minister of Finance of Canada, on six months' prior notice, when the Minister deems it necessary in order to meet the requirements of the Canada Pension Plan. In the case of redemption before maturity, the Ontario Securities are to be redeemed in the order in which they were issued and the amount of Ontario Securities to be redeemed at any time shall be proportionate to the amount of all securities then held to the credit of the said fund represented by Ontario Securities.
6. The par value of bonds outstanding exceeds the original par value of bonds issued due to conversions from compound interest form bonds into annual interest form bonds.
7. The terms of these debentures require that equal payments be made each year until their maturity. Each payment consists of blended principal and interest.
8. Interest payable is three-month Canadian BA.
9. The Province entered into currency exchange agreements that effectively converted these U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.36625. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 8.64%.
10. The Province entered into currency exchange agreements that effectively converted the U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.18125. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 9.66%.
11. The Province entered into currency exchange agreements that effectively converted these U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.20334. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 10.99%.
12. The Province entered into currency exchange agreements that effectively converted these Pounds Sterling obligations to Canadian Dollar obligations at an exchange rate of 2.18238. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 7.53%.
13. The Province entered into currency exchange agreements that effectively converted these Swiss Franc obligations to Canadian Dollar obligations at an exchange rate of 1.07645. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 8.44% on \$437 million and floating Canadian BA on \$532 million.
14. The Province entered into currency exchange agreements that effectively converted substantially all of these Japanese Yen obligations to Canadian Dollar obligations at an exchange rate of 0.01314. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 6.13% on \$1,787 million, and floating Canadian BA on \$328 million.
15. The Province entered into currency exchange agreements that effectively converted substantially all of these Japanese Yen obligations to Canadian Dollar obligations at an exchange rate of 0.01500. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 7.11% on \$2,768 million and floating Canadian BA on \$189 million.
16. The Province entered into currency exchange agreements that effectively converted these Deutsche Mark obligations to Canadian Dollar obligations at an exchange rate of 0.89250. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 7.52% on \$1,246 million and floating Canadian BA on \$470 million.
17. The Province entered into currency exchange agreements that effectively converted these Netherlands Guilder obligations to Canadian Dollar obligations at an exchange rate of 0.77542. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 8.42%.
18. The Province entered into currency exchange agreements that effectively converted these Australian Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.09189. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate.
19. Retractable in whole or in part on February 8, 2007, at the holder's option, provided that the notice of retraction is made during the period from July 15, 2006 to January 15, 2007 inclusive. Such election is irrevocable.
20. Retractable in whole or in part on March 1, 2010, at the holder's option, provided that the notice of retraction is made during the period from March 1, 1995 to February 12, 2010 inclusive. Such election is irrevocable.



21. Exchangeable at any time, in whole or in part, at the holder's option, for an equivalent principal amount of Series JG 9.50% bonds due January 12, 2035.
22. Callable in full, and not in part, on July 27, 2001, at par.
23. The terms of these debentures require that the principal be repaid in 12 equal monthly payments in the year preceding the date of maturity.
24. The terms of these debentures require unequal payments, consisting of both principal and interest, to be made at predetermined irregular intervals. At January 10, 2035, the principal to be repaid on each debenture will be \$2.3 million.
25. Bonds are extendible at the option of the Province on every coupon date starting on July 27, 2001, to the final maturity date of July 27, 2009. Coupon interest is paid semi-annually at a rate of 5.75% in years 1-2, 5.90% in years 3-4, 6.00% in years 5-6, 6.15% in years 7-8, 6.25% in year 9, and 6.50% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA rate -0.125%.
26. On September 27, 1999 the Province purchased for cancellation \$100 million of the HX Series bonds.
27. The Province entered into currency exchange agreements that effectively converted these Euro obligations to Canadian Dollar obligations at an exchange rate of 1.6890. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA.
28. The terms of these debentures require that a special one-time interest payment be made on June 30, 2000, in addition to the regular semi-annual coupon. The bondholder has the option to exchange an equal notional amount of this bond for the same amount of Ontario 4.875% June 2, 2004s at a yield give up of 2 bps. The bondholder can exercise this right between July 4, 2000 and July 28, 2000. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA.
29. The 1995 series of Ontario Savings Bonds matured on March 1, 2000. The outstanding amount at March 31, 2000 represents bonds not yet presented for redemption.
30. For the 1997 and 1998 Series OSB, the interest rate was set at 5.25% for the three-year life of the bond. The 1999 Series was set at 5.50% interest for the same term.
31. The Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating rate Canadian BA -0.085%. The Province has the right to call the issue after 2.5 years (Jan 14, 2002).
32. Interest is payable in Australian Dollars, based on a notional principal of AUD 66 million at a rate of 3.9%.
33. Interest is payable in Australian Dollars, based on a notional principal of AUD 27.2 million at a rate of 6.0%.
34. The bonds are extendible at the option of the bondholder on or before November 10, 2004. Coupon interest is paid at 6.40% for the first five years. If extended to final maturity date of December 2, 2014, the coupon will step-up to 6.80%.
35. Interest payable is six-month U.S. LIBOR +0.0475%.
36. Interest payable is three-month Athimid LIBOR -0.75%.
37. During the 1999/2000 fiscal year, Series MK bonds were reopened bringing the total issue to \$250 million.
38. The original debentures payable to OMERS were replaced effective December 31, 1995, with debentures payable to OMERS and to Colleges of Applied Arts and Technology Pension Plan, in the amounts of \$741.6 million and \$90.9 million, respectively. The terms and conditions remain the same as those of the original debentures.
39. Redeemable on August 31, 2000 at par.
40. No interest is payable in the first five years, thereafter interest is payable monthly at an annual interest rate of 17.25%.
41. The terms of these debentures require unequal payments, consisting of both principal and interest, to be made at predetermined irregular intervals with the final payment on January 10, 2045. The total principal and interest to be paid over the life of the debenture is \$1,325 million in total.
42. The terms of these debentures require no interest payments until maturity, at which time a single payment, comprising both principal and interest, will be made in the amount of \$700 million.
43. The Province entered into currency exchange agreements that effectively converted these U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.31803. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 8.09%.
44. Bond is callable on May 13, 2003 at the option of the Province. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA -0.05%.
45. Callable, in whole but not in part, at par on October 12, 2000.
46. The Province has the right to call the note after two years (June 3, 2001). Interest is payable at floating Canadian BA +0.85% paid quarterly for the first two years, then 5.75% semi-annually if not called. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA -0.07%.
47. Interest is payable in Australian Dollars based on a notional principal of AUD 103.2 million at a rate of 3.2% payable annually.

48. The terms of these debentures require that a special one-time interest payment in the amount of \$6.5 million be made at maturity. Interest payable is 4.35% for the first seven years, thereafter interest payable is 7.04%. The debentures are retractable, in whole but not in part, on December 2, 2003, at the holder's option, provided that the notice of retraction is made during the period from October 31, 2003 to November 12, 2003 inclusive. Such election is irrevocable and if invoked the one-time interest payment at maturity is forfeited.
49. Bonds are extendible at the option of the Province on every coupon date starting on September 22, 2001, to the final maturity date of September 22, 2011. Coupon interest is paid semi-annually at a rate of 6.10% in years 1-4, 6.15% in years 5-6, 6.20% in years 7-8, 6.30% in year 9, 6.40% in year 10, and 6.75% in year 11, and 7.125% in the final year. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA -0.11%.
50. The Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 6.63%.
51. This issue has been on-lent to OEFC until June 2, 2010, after which the issue will be assumed by the Province until the maturity date.
52. During the 1999/2000 fiscal year, Series MG bonds were reopened twice bringing the total issue to \$2,000 million.
53. The Province entered into currency exchange agreements that effectively converted these French Franc obligations to Canadian Dollar obligations at an exchange rate of 0.28491. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 6.18% on \$1,509 million and floating Canadian BA on \$200 million.
54. Interest is payable in Australian Dollars, based on a notional principal of AUD 52.5 million at a rate of 3.10%.
55. Interest is payable in U.S. Dollars, based on a notional principal of USD 120.8 million at a rate of 3.25%.
56. Interest payable is three-month Yen LIBOR + 0.1%.
57. Interest is payable in Australian Dollars, based on a notional principal of AUD 121.1 million at a rate of 4.28%.
58. The Province has the right to call the note after two years (October 19, 2001). Interest is payable at floating Canadian BA +0.84% paid quarterly for the first two years, then 6.29% semi-annually if not called. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA - 0.08%.
59. The Province entered into currency exchange agreements that effectively converted these Greek Drachma obligations to Canadian Dollar obligations at an exchange rate of 0.004903. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA.
60. The Province has the right to call the note after two years (December 19, 2001). Interest is payable at floating Canadian BA +0.82% paid quarterly for the first two years, then 6.29% semi-annually if not called. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA - 0.07% until the call date, then to floating Canadian BA -0.05% for the remaining seven years.
61. The Province entered into currency exchange agreements that effectively converted these Norwegian Kroner obligations to Canadian Dollar obligations at an exchange rate of 0.21235. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA.
62. All current outstanding OSBs are redeemable at the option of the holder on June 21 and December 21 or upon the death of the beneficial owner. 1999 Series and later issues may also be redeemed during the 14 calendar days immediately following June 21 and December 21. The Minister of Finance may reset the interest rate from time to time prior to maturity.
63. The interest rate was set at 4.50% for the first year. The minimum interest payable is 5.75% in the second year, 6.25% in the third year, 7.25% in the fourth year, and 9.00% in the final year.
64. The Minister of Finance will reset the interest rate every six months. The initial interest rate was set at 4.75%. Effective December 21, 1999 the interest rate was set at 5.00%.
65. Pursuant to the *Ontario Public Service Employees' Pension Act 1994*, and the *Asset Transfer Agreement of December 12, 1994*, the Province is obligated to re-split the debentures between the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Plan Trust Fund (OPSEUPF) based on accurate data when it is available. On June 13, 1997 a *Restated Sponsorship Amendment and Asset Transfer Agreement* was signed, replacing the 1994 agreement. Pursuant to this Agreement on September 17, 1997, the re-split of the debentures was completed. To effect this redistribution of assets, \$3,745.8 million of debentures held by PSPF and \$1,751.4 million of debentures held by OPSEUPF were retired and replaced by \$3,726.8 million and \$1,770.4 million of debentures to be held by PSPF and OPSEUPF respectively.
66. The interest rate was set at 3.00% for the first year. The minimum interest payable is 5.25% in the second year, 6.00% in the third year, 6.50% in the fourth year, 7.00% in the fifth year, 7.50% in the sixth year and 8.00% in the final year.
67. The Minister of Finance will reset the interest rate every six months. The initial interest rate was set at 3.25%. Effective December 21, 1999 the interest rate was set at 5.00%.



68. Callable by the Province, in whole but not in part, at par on June 27, 2001.
69. The Province entered into currency exchange agreements that effectively converted these New Zealand Dollar obligations to Canadian Dollar obligations at an exchange rate of 0.82770. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to floating Canadian BA.
70. On January 8, 2001, the investor has the right to purchase an equal amount of July 15, 2028, 6.25% bonds at a price of 105.66.
71. Notes are extendible at the option of the Province on September 4, 2000, 2003 and 2006 to the final maturity date of September 4, 2009. Coupon interest is paid semi-annually at a rate of 6.00% in years 1-3, 6.125% in years 4-6, 6.35% in years 7-9 and 7.625% in years 10-12.
72. Bonds are extendible at the option of the Province on every coupon date starting on October 10, 1999 to October 10, 2009, except in year five. Coupon interest is paid semi-annually at a rate of 5.875% in years 1-2, 6% in years 3-4, 6.25% in years 5-6, 6.375% in years 7-8, 6.5% in years 9-10, and 7% in years 11-12.
73. Interest payable is three-month Canadian BA -0.05%.
74. On October 5, 1999, the Province purchased for cancellation \$43.934 million of the KN Series bonds.
75. On September 28, 1999, the Province purchased for cancellation \$10.68 million of the KT Series bonds.
76. On October 5, 1999, the Province purchased for cancellation \$27.34 million of the KQ Series bonds.
77. During the 1999/2000 fiscal year, Series KJ bonds were reopened twice bringing the total issue to \$4,117 million.
78. Proceeds were received in Japanese Yen. Redemption of principal is in US Dollars at an exchange rate of 105 Yen/US Dollar. Interest is payable in Japanese Yen based on a notional principal of JPY 30,000 million at a rate of 3.25%.
79. Proceeds of issue and repayment of principal are in Japanese Yen. Interest is payable in US Dollars based on a notional principal of USD 86.3 million, at a rate of 3.58% payable annually.
80. Proceeds of issue and repayment of principal are in Japanese Yen. Interest is payable in US Dollars semi-annually based on notional principal of USD 57.1 million, at a rate of 2.6%.
81. The Minister of Finance will reset the interest rate every six months. The initial interest rate was set at 5.00%. Effective December 21, 1999 the interest rate was set at 5.00%.
82. Extendible at the Province's option on March 2, 2000 and every six months thereafter with the exception of September 2, 2002 and March 2, 2003. Final maturity date is set at March 2, 2010. Interest accrues at 6.15% semi-annually and is paid on the maturity date.
83. Total Debt incurred for Provincial Purposes on a consolidated basis includes the long-term debt of the Toronto Area Transit Authority (GO Transit) for \$442 million and the Ontario Housing Corporation for \$2,296 million.
84. The Treasury Bill balance does not include the following Treasury Bill holdings: \$203 million held by the Northern Ontario Heritage Fund Corporation, \$60 million held by Ontario Trillium Foundation and \$16 million held by Ontario Securities Commission, as these will be eliminated upon consolidation.
85. The Province entered into currency exchange agreements that effectively converted these U.S. Dollar obligations to Canadian Dollar obligations at an exchange rate of 1.2598. In addition, the Province entered into interest rate agreements that effectively converted the interest obligation on this debt to a fixed rate of 5.17%.
86. Between August 1, 2001 and August 28, 2001, these bonds can be exchanged for 6.30% bonds maturing September 4, 2020.
87. Bond is callable on April 1, 2003 at the Province of Ontario's option.
88. This bond can be extended every six months commencing on November 13, 2001 up until November 13, 2009, excluding May 2002 to May 2003.
89. Callable between August 1, 2001 and August 28, 2001 for repayment at par on September 4, 2008.
90. The terms of these debentures require that a special one-time interest payment of \$31.1 million be made at maturity.
91. U.S. Commercial Paper issues are non-interest bearing with maturities up to 101 days.
92. The interest rate was set at 4.75% for the first year. The minimum interest payable is 5.00% in the second year, 5.50% in the third year, 5.75% in the fourth year and 6.00% in the final year.
93. On September 22, 1999, the Province purchased for cancellation \$37.5 million of the JY Series bonds.
94. During the 1999/2000 fiscal year, Series NE bonds were reopened, bringing the total issue to \$100 million.
95. During the 1999/2000 fiscal year, Series LK bonds were reopened, bringing the total issue to \$4,000 million.
96. During the 1999/2000 fiscal year, Series LZ bonds were reopened, bringing the total issue to \$1,500 million.
97. The interest rate was set at 4.75% for the first year. The minimum interest payable is 5.00% in the second year, 5.50% in the third year, 6.00% in the fourth year and 6.25% in the final year.
98. Agricorp, a Government Service Organization, holds \$15 million in Series LE and \$10 million in Series JV. On consolidation under PSAB these amounts reduce the outstanding balance of each issue.



## **BUDGET PAPER E**

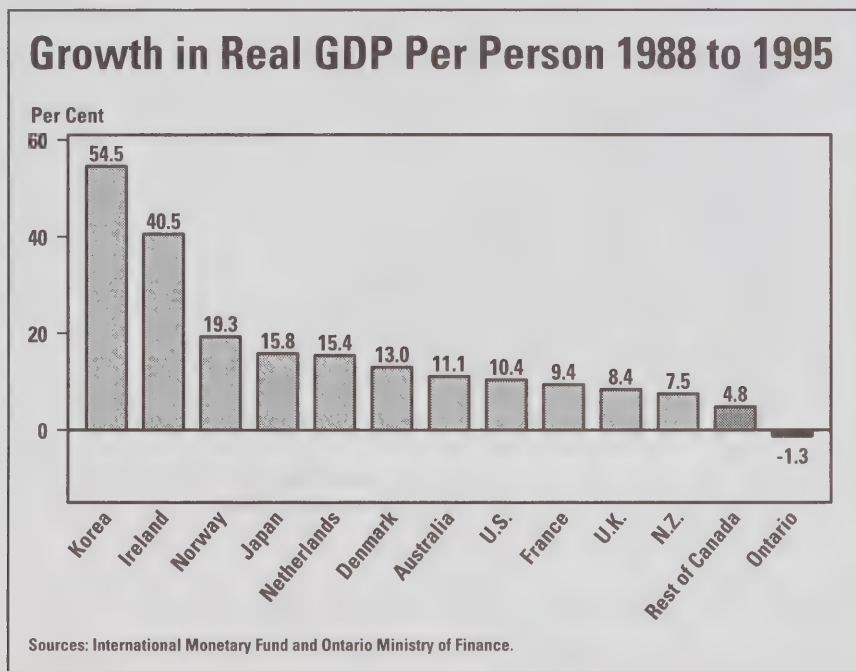
**Ontario's Plan for the Economy:  
"Cut Taxes, Invest in Infrastructure and Reduce Debt"**



## ■ INTRODUCTION

Ontario is one of the best places in the world to live, work, invest and raise a family. There are many factors that make it so, such as secure and cohesive communities, high air and water quality, a world-class education system, and first-rate and accessible health care. But underpinning all of these factors is a high and rising level of income.

In this regard, the period from 1988 to 1995 was one of underachievement for both Canada and Ontario. Many other countries surpassed Canada and Ontario in the growth of real per capita incomes and productivity. In fact, Ontario's real GDP growth per person in the period from 1988 to 1995 was negative and among the lowest in the OECD countries.<sup>1</sup>



To reverse this trend and to ensure that Ontario remains one of the best places in the world to live, work, invest and raise a family, the Ontario Government has committed itself to the following strategic actions:

- Lowering personal income taxes to encourage high levels of domestic demand and to boost incentives for creativity and hard work;
- Lowering corporate income taxes to attract and retain globally mobile investment;

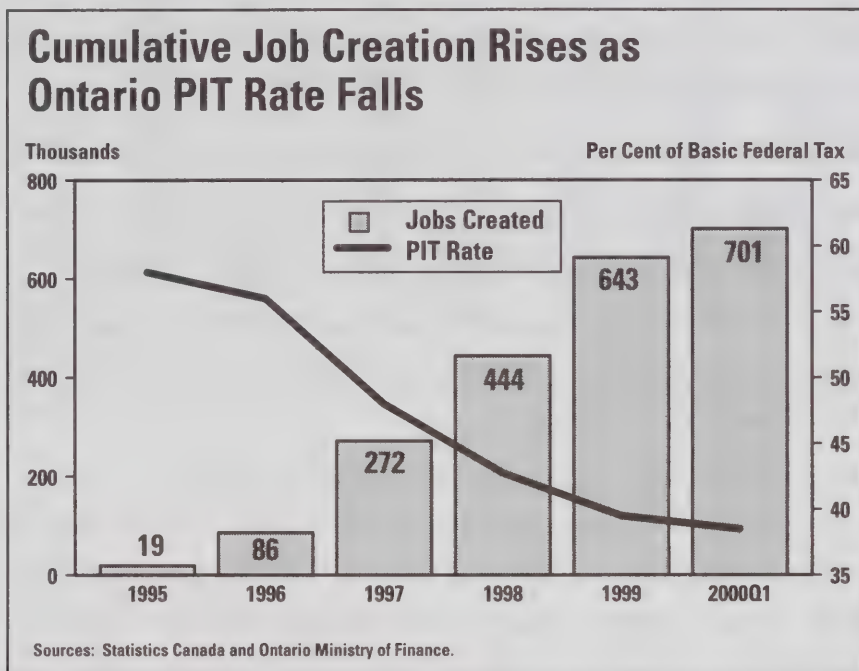


- Encouraging innovation and small business entrepreneurship, and attracting and retaining highly skilled individuals;
- Rebuilding and expanding strategic provincial infrastructure such as highways, schools, colleges and universities, and hospitals; and,
- Restoring fiscal balance and reducing provincial debt levels.

This paper reviews these basic elements of the overall strategy.

## ■ PERSONAL TAX CUTS, JOBS AND HIGH PRODUCTIVITY

The Ontario economy has created 701,000 jobs since September 1995. The rate of job growth in Ontario over this period is almost 50 per cent higher than in the rest of Canada. Over half of Canada's net new private-sector jobs have been created in Ontario. This is in sharp contrast to the first half of the decade, when Ontario lost 89,000 jobs, while the rest of Canada created 320,000 jobs.



Ontario's tax policy changes account for much of this turnaround. In the late 1980s and early 1990s, Ontario increased taxes at considerably higher rates than the rest of Canada. Since 1995, the Ontario Government's tax cuts have restored confidence in the economy and now Ontario's growth leads the rest of Canada by a large margin.

Personal income tax (PIT) cuts have left more money in people's pockets. This has boosted both spending and the incentive to earn. In contrast to the first half of the 1990s, the incomes of Ontarians have climbed. Since this Government began to cut income taxes, Ontario's real disposable income has increased by 11.6 per cent, more than double the 5.7 per cent pace for the rest of Canada.

PIT cuts will continue to boost the Ontario economy, through both stronger consumer demand and increased supply. Lower PIT rates encourage work effort and entrepreneurial initiative, resulting in a more dynamic economy with higher long-term growth rates.

### **Ontario's Personal Income Tax Cuts in 2000 Budget**

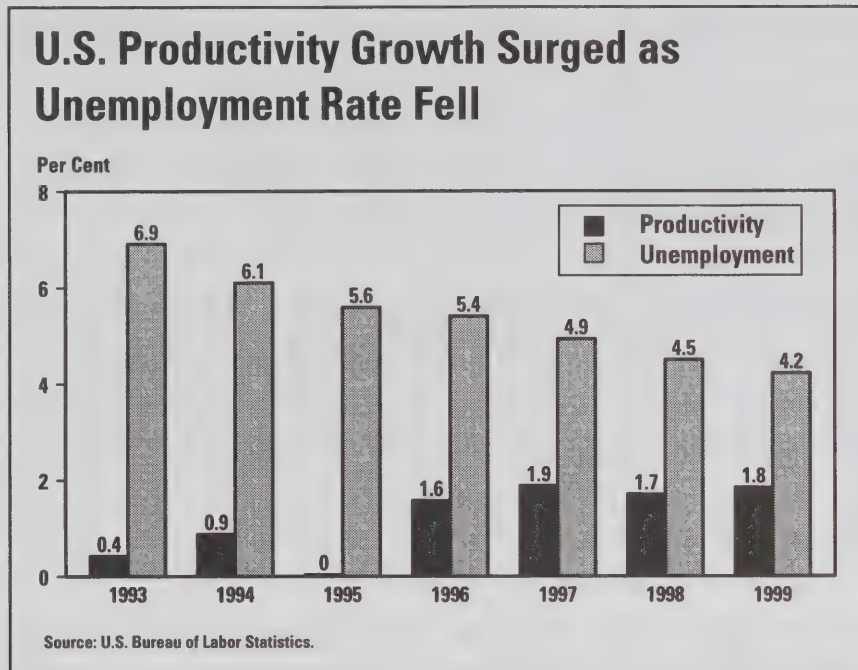
- Ontario's lowest income tax rate would be cut by 5 per cent, to 6.20 per cent, effective July 1, 2000.
- Ontario's middle income tax rate is proposed to be cut to 9.24 per cent of Ontario taxable income, effective July 1, 2000.
- Non-refundable tax credits are proposed to be increased in 2000.
- The inclusion rate for taxable capital gains for Ontario income tax purposes would be cut to 66⅔ per cent in 2000 and to 50 per cent by 2004.
- The first \$100,000 of taxable employee benefits arising from designated stock options and capital gains granted by eligible research and development firms in Ontario would be exempt.

*See Budget Paper, "Made-For-Ontario Taxes: 'A New Beginning'"*

An economy that operates at a high level of aggregate demand has higher long-run growth because strong demand boosts the incentive for businesses to make new investments in expanding their capacity and renewing their technology. In the past few years, over 80 per cent of Ontario's growth has been due to strong domestic demand, boosted by PIT cuts. This leads to productivity growth and contributes to growing incomes for Ontarians.

The link between productivity growth, employment growth and strong demand is evident in the United States. The period of highest productivity growth in the United States has occurred since 1997, when the U.S. unemployment rate fell below 5 per cent.

The high level of demand and the relative scarcity of labour have induced businesses to substantially increase their rate of investment, considerably boosting productivity.



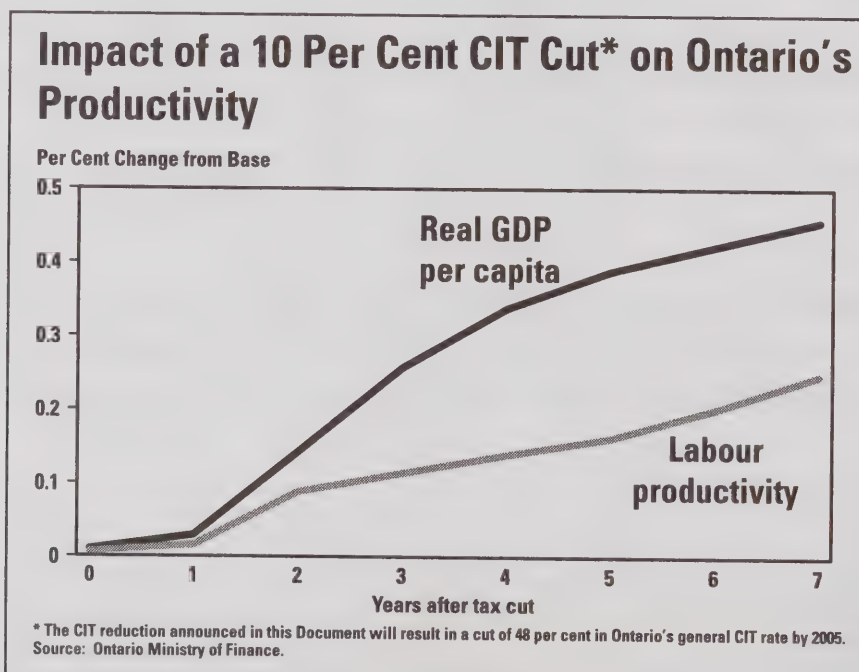


## ■ LOWERING BUSINESS TAXES ENHANCES ECONOMIC GROWTH

Three of the countries that had much higher growth in real GDP per capita than Canada during the 1990s are Norway, the Netherlands and Denmark. All of these countries have higher overall tax burdens (tax as a per cent of GDP). But in the area of corporate income tax (CIT), they are lower by a wide margin, with rates of 28, 35 and 32 per cent, respectively, compared to about 45 per cent in Canada.

Ireland provides another example of how good tax policies can help a small country to vault to a higher economic standing. When Ireland joined the European Union (EU), it was one of the poorest countries in Europe. Between 1986 and 1999, Ireland lowered its general PIT rate by 11 percentage points and its CIT rate by 22 percentage points. The burden of taxes as a share of GDP in Ireland has fallen to 32.8 per cent, well below the EU average of 41.5 per cent.

The results of these policies in Ireland are well known: the government deficits have been replaced by surpluses. Corporate tax revenues increased by more than 300 per cent over the 1990s. Since 1986, output per person in Ireland has more than doubled and was 5 per cent above the EU average in 1998. The unemployment rate, which was 17 per cent in 1986, has fallen below 6 per cent.



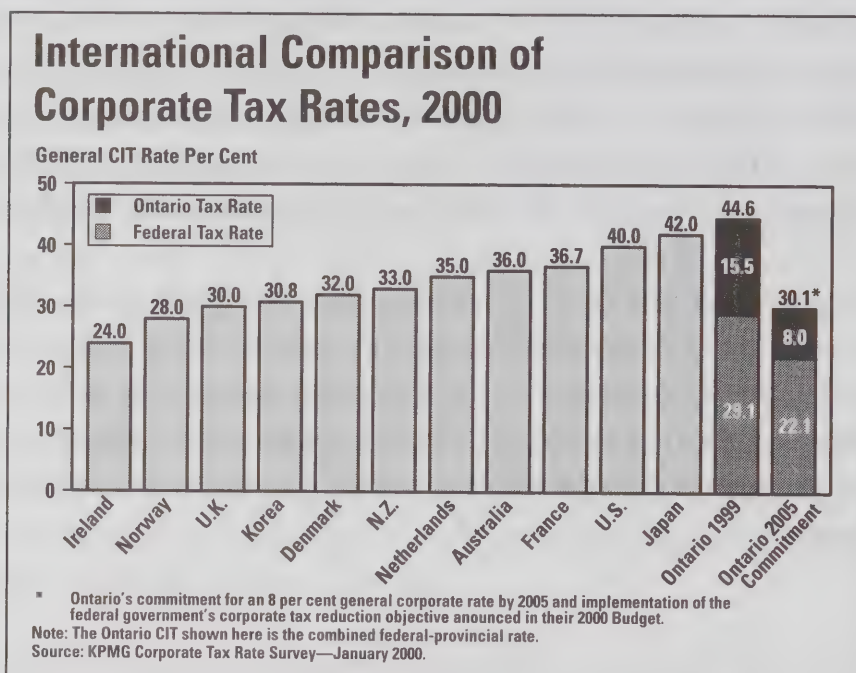
The previous chart shows the impact of a 10 per cent Ontario CIT cut on productivity and income stemming from increased investment. A cut in business taxes is an investment in increasing long-term growth. Lower business tax rates encourage companies to make additional investments in capital equipment, which boosts capacity.

In addition to the positive macroeconomic impacts on investment, there is also the potential for a substantial improvement in economic efficiency by adopting a more neutral business tax structure. The current system, which maintains a higher tax rate for the service sector, means that the Canadian economy does not use enough of its talent and capital in the service sector, increasingly the source of high-technology, high-paying jobs. Microeconomic analysis suggests that the present corporate income tax system "creates an efficiency loss equal to 15 per cent of annual corporate income taxes, due to interindustry and interasset distortions, compared to a non-distortionary tax."<sup>2</sup>

Cutting the corporate tax rate leads to more efficient use of resources, which further boosts productivity. A C.D. Howe Institute study estimates that a 10 per cent reduction in the effective tax rate on corporate capital could increase per capita income by \$300 per year. "Combined, the two changes—a small reduction in the effective tax rate and a more neutral tax system—could result in a \$500 per capita increase in income, or \$2,000 for a family of four."<sup>3</sup>

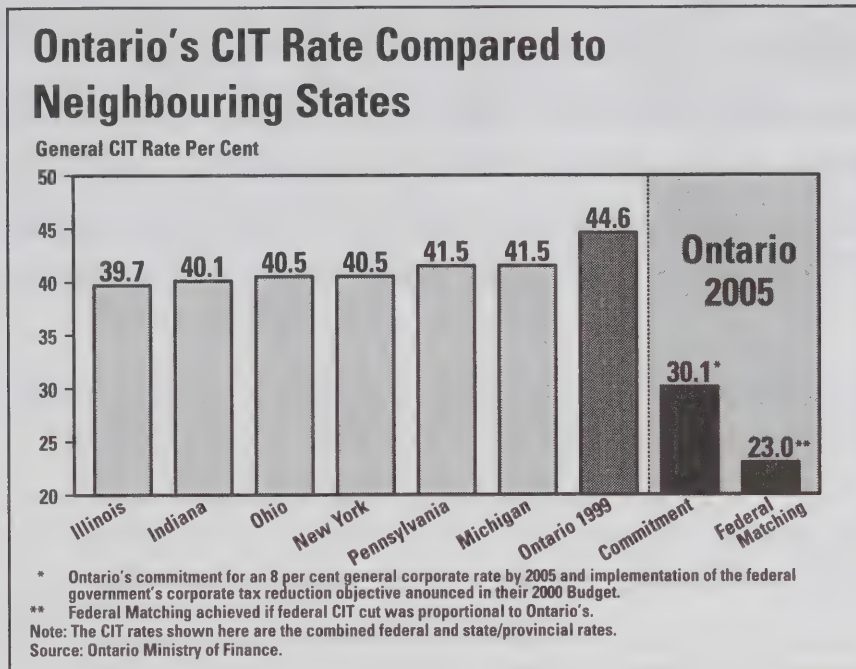
## ■ CORPORATE INCOME TAXES: ONTARIO'S TARGET REDUCTION

Canada's corporate income tax rate is not competitive by international standards. In recent years, many countries have been cutting CIT rates. After Germany implements a CIT cut in 2001,<sup>4</sup> Canada will have the highest general CIT rate of any major industrialized country.



The combined federal-provincial CIT rate paid by businesses in Ontario is higher than in any of the neighbouring states of the United States.<sup>5</sup> This gap is particularly important, as many companies view these states as alternative locations when considering Ontario as a site for investment.

The recent federal budget initiative will bring the combined federal-provincial CIT rate in Ontario down to about 38 per cent by 2004. That is still above the OECD average of 34 per cent in 2000, and other countries are not standing still.



In this Budget, the Ontario Government is setting a target of 8 per cent for a single lower overall corporate rate for all large businesses. When Ontario's proposed CIT rate cuts are fully implemented in 2005, Ontario's combined federal-provincial rate of 30.1 per cent would be about 10 percentage points lower than the current CIT rates in nearby competing states. However, Ontario cannot do all that needs to be done alone. The federal government must act more aggressively to cut corporate taxes. It will be a significant beneficiary of the added economic activity as a result of Ontario's tax cuts.

If the federal government matches the initiative in this Budget, Ontario's combined federal-provincial rate at 23 per cent would be among the lowest in the world. Future income growth in Ontario and Canada would be much stronger due to a higher rate of investment and productivity growth. Ontario challenges the federal government to match Ontario's reductions and make us the most competitive jurisdiction in North America.



### **Ontario's Corporate Income Tax Cuts in 2000 Budget**

- The general CIT rate would be cut immediately by 1 per cent, to 14.5 per cent, declining to 8 per cent when fully implemented in 2005.
- The manufacturing and processing rate would be cut immediately by 1 per cent, to 12.5 per cent, declining to 8 per cent when fully implemented in 2005.
- The small business rate would be cut immediately by 1 per cent, to 7 per cent, declining to 4 per cent when fully implemented in 2005.

*See Budget Paper, "Made-For-Ontario Taxes: 'A New Beginning'"*



## ■ CUTTING BUSINESS TAX RATES WILL INCREASE THE INCOMES OF WORKING ONTARIANS

The rate of capital investment in Canada has been considerably below the OECD average, as has the rate of growth of real incomes of Canadians. Lowering corporate tax rates to encourage investment will help reverse this situation and improve the economic well-being of individual Canadians.

Careful economic studies are unanimous in finding that higher capital investment is associated with higher incomes for workers. A recent study by one of Canada's best-known trade union economists stated, "Of all taxes collected in Canada, it is almost certainly income taxes on companies in the real economy which have the largest negative impact on capital accumulation, growth, and hence productivity and incomes."<sup>6</sup> In the same study, he noted that "an increase of 10 per cent in the capital-labour ratio of an industry is associated with an extra \$5,400 per year in average wages and salaries per worker."<sup>7</sup>

## ■ CUTS IN CAPITAL GAINS TAXES ENCOURAGE A DYNAMIC BUSINESS ENVIRONMENT

The global economy is being transformed, not just by the increasing integration through trade and investment of all the world's major markets, but also through a profound technological revolution. The revolution is in information technology, biotechnology, robotics and lasers, to name but a few. To be well positioned in these technologies is critical to all industries, both old and new. Key to this is an economy that encourages financial risk-taking and new business and scientific ideas from talented Ontarians.

In the "new economy," the toughest competition between jurisdictions is the competition for talented young people willing to take risks. Making Ontario companies competitive in their ability to attract such talent will benefit all Ontarians. For example, many companies utilize employee stock option plans to compete for talent against large U.S.-based companies. The initiatives in this Budget would augment their ability to compete.

### **Capital Gains and Stock Options in 2000 Budget**

- The inclusion rate for taxable capital gains would be cut to 66⅔ per cent in 2000 and 50 per cent by 2004.
- The first \$100,000 of taxable employee benefits and capital gains earned on designated stock options granted by eligible research and development firms in Ontario would be exempt.
- Qualifying stock options issued by R&D-intensive firms would be exempt from Employer Health Tax.

*See Budget Paper, "Made-For-Ontario Taxes: 'A New Beginning'"*

Capital gains tax is an important instrument to change incentives: for risk-taking; for financing of business expansion; for motivating effort; and for attracting and retaining talented workers. The earnings retained by a corporation are an important source of funds for growing the business. However, this form of reinvestment is discouraged unless the capital gains tax rate is considerably lower than the general PIT rate.<sup>8</sup> Also, numerous studies have found that companies are much more successful when the rewards of their employees are directly tied to how well the company does.

The initiatives in this Budget are designed to make Ontario the most dynamic community for business in North America.



## ■ BUILDING ONTARIO'S FUTURE

One of the most important roles of government is to take an active role in the planning and organization of infrastructure for the public good. This does not always mean that government needs to build or own this infrastructure. Many types of infrastructure can be provided at lower cost, and higher quality, through partnerships with the private sector.

Ontario's SuperBuild strategy is aimed at ensuring that vital provincial infrastructure is expanded and renewed. Through SuperBuild, a minimum of \$20 billion will be invested to renew Ontario's network of hospitals, high-technology links, highways, educational institutions and other infrastructure. The Province has committed to invest \$10 billion, matched by at least \$10 billion from the private sector and other partners. Greater private-sector involvement in the provision of public infrastructure means that higher-quality investments can be made more quickly and at lower cost.

Through SuperBuild, the Province invested over \$4.5 billion in 1999-00. This is \$1.6 billion more than the 1999 Budget Plan.

Ontario's 1999-00 capital investment included a record \$975 million in highway construction. In 2000-01, the Province will set a new record by investing an additional \$1 billion to expand and improve Ontario's highway network.

The private sector is also making key investments in Ontario's highway infrastructure. The Greater Toronto Airports Authority will invest \$80 million to make improvements to Highway 409 to improve access to Pearson International Airport. The Highway 407 consortium will invest \$500 million to extend Highway 407 east to Brock Road in Pickering and west to Burlington.

Last year, the Province invested over \$1 billion in colleges and universities to help them grow to meet expanding needs for new spaces. In addition to the \$742 million that was planned for post-secondary institutions in 1999-00, the Province provided a further \$286 million to support collaboration between universities and colleges, address capacity shortages, and meet capital restructuring and renewal needs. Taking contributions from our partners into account, almost \$1.8 billion will be invested in post-secondary capital projects, creating more than 73,000 new student spaces.



Ontario also invested over \$1.3 billion in 1999-00 to help hospitals and other health care institutions modernize their facilities and purchase new equipment. The Province provided over \$1 billion to accelerate hospital restructuring directed by the Health Services Restructuring Commission. Together with funding from our partners, this will result in a total investment of \$1.5 billion.

In 2000-01, SuperBuild will invest \$2.1 billion in strategic priorities that support provincial economic growth and the quality of life in the province.

A new SuperBuild Millennium Partnerships initiative will invest \$1 billion over five years in public-private partnerships focused on strategic infrastructure projects.

The SuperBuild Sports, Culture and Tourism Partnerships initiative will invest \$300 million over five years to rebuild publicly owned recreation, sports, cultural and tourism facilities throughout the province and to expand major cultural and tourist attractions.

The Ontario Small Town and Rural Development initiative will invest \$600 million over five years, including \$400 million for infrastructure critical to the future economic growth of rural areas, small towns and small cities.

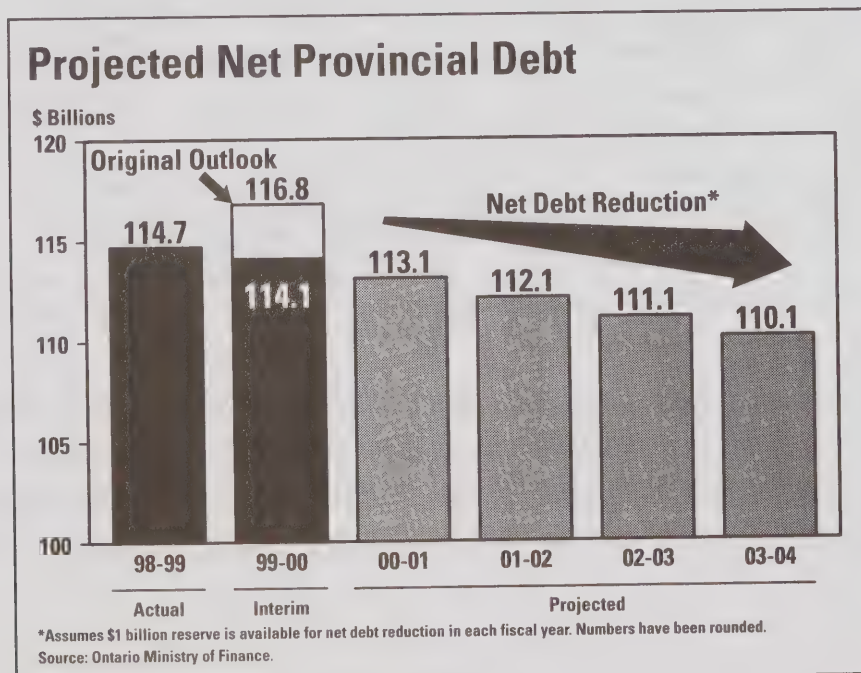
Taken together, these new SuperBuild initiatives represent a major step forward into the new century and a new, more strategic and more promising way of providing the capital infrastructure that Ontario needs.

## ■ A NEW ERA OF DEBT REDUCTION

One of the main factors undermining business confidence in the first half of this decade was the huge growth in government deficits. Deficits represent future taxes. If they go unchecked, they discourage both private-sector investment and consumer spending, thereby keeping the economy from achieving its real potential.

This Budget represents an historic achievement. Ontario is now on track to record back-to-back balanced budgets in 1999-00 and 2000-01. Furthermore, Ontario is committed to avoiding future budget deficits. The Government introduced and the Legislature has passed the most stringent balanced budget legislation in Canada.

As well, the Government's \$1 billion reserve will serve to protect the fiscal plan against unexpected and adverse changes in the economic and fiscal outlook. A plan is also in place to ensure the future will be one of debt reduction, not increase. The Government has pledged to reduce Ontario's debt. Net Provincial Debt as of March 31, 2000 was \$114.1 billion, \$2.7 billion lower than it would have been under the 1999 Budget Plan. With this Budget, the goal is to reduce Net Provincial Debt by at least \$5 billion over the Government's current mandate. The first instalment of debt reduction has already taken place. The 1999-00 \$654 million surplus has been used to reduce debt by that amount.

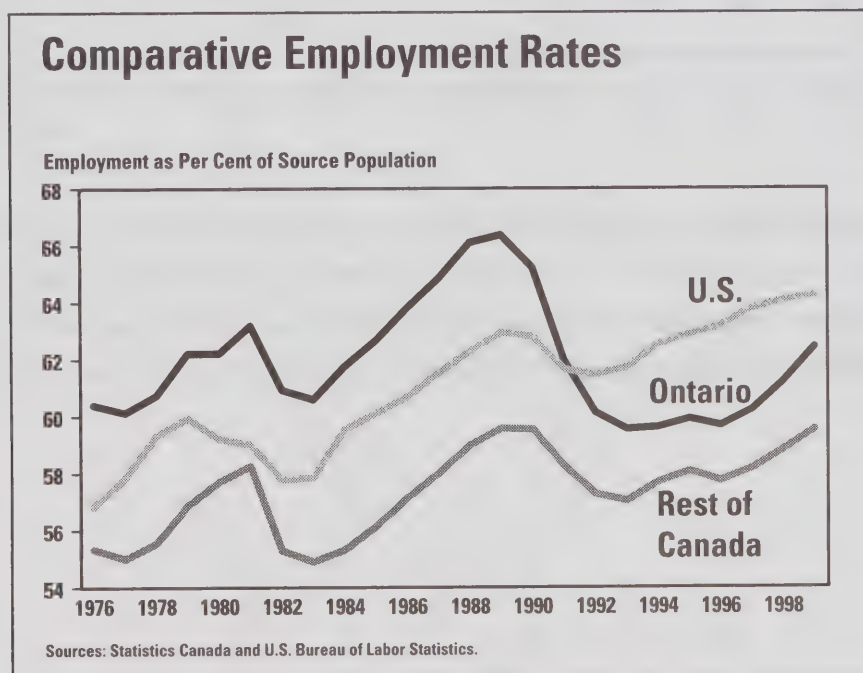


This commitment to debt reduction will assure investors that the long-term investments they make in Ontario will not be threatened by future increases in taxes. It will also assure individual Ontarians that they can plan for their families' futures, without the fear that a rising government debt will shrink their standard of living.

## ■ ONTARIO'S POTENTIAL FOR GROWTH IS GREAT

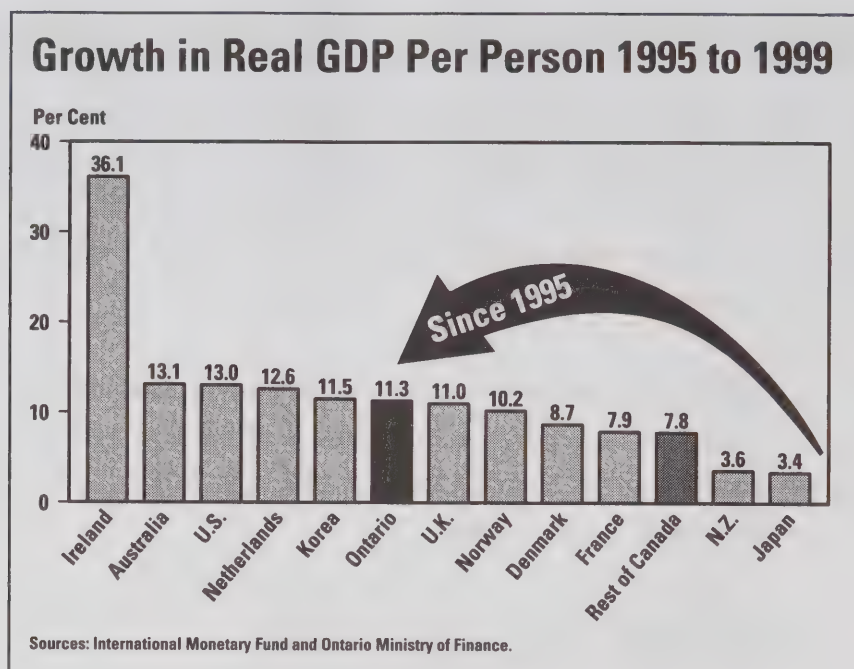
There is a major economic revolution under way, rivalling the Industrial Revolution in its significance. The internet and its related advances in technology and communications are transforming the way corporations do business. The countries whose businesses are in the vanguard of this revolution will be the leading centres of growth in the new century.

Ontario's PIT cuts have led to stronger employment growth and are helping to boost investment, productivity and living standards. As a result, the economy is, once again, closing the gap on employment rates with the United States. But there is still substantial room for increasing Ontario's employment.



Higher employment rates lead to higher productivity and higher income growth. This has been Ontario's experience since 1995. In fact, Ontario's economy has reversed the dismal performance of the early 1990s. Since 1995, real GDP per person in Ontario has increased by 11.3 per cent, compared to a decline of 1.3 per cent in the previous seven years.





To ensure the Ontario economy continues to prosper in this challenging environment, the Ontario Government has implemented a strategy of cutting taxes, encouraging innovation, renewing infrastructure, restoring fiscal balance and reducing government debt. The initiatives in this Budget will build on that strategic foundation.



## References:

1. Pierre Fortin, *The Canadian Standard of Living: Is There a Way Up?* C.D. Howe Institute Benefactors Lecture, 1999 and Ontario Ministry of Finance.
2. Canada Department of Finance, *Report of the Technical Committee on Business Taxation*, 1997, p. 3.6.
3. Jack M. Mintz, "The February 2000 Federal Budget's Business Tax Measures: Is Canada Missing the Boat?" C.D. Howe Institute *Backgrounders* (March 23, 2000).
4. Germany's reform of their corporate tax system in 2001 will potentially lead to rates below 40 per cent. KPMG *Corporate Tax Rate Survey—January 2000*.
5. The gap would widen if Ontario stands still, since Michigan has plans to entirely eliminate its state business tax over the long term. (Michigan has a business value-added tax, rather than a CIT. Its CIT equivalent has been calculated to be about 10 per cent by the Ministry of Finance in the chart "Ontario's CIT Rate Compared to Neighbouring States.")
6. Jim Stanford, *Paper Boom*, Canadian Centre for Policy Alternatives, and James Lorimer and Co. Ltd., 1999, p. 253.
7. *Ibid*, p. 110.
8. Jack M. Mintz, and Thomas A. Wilson. "Capitalizing on Cuts to Capital Gains Taxes." C.D. Howe Institute *Commentary* 137 (February 2000).







# Balanced Budgets – Brighter Future











